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FINANCIAL TIMES



ADB refinancing

Squeezing the tigers



Iran

Market logic may yet prevail

Welfare costs

Fiscal nightmare



Space probe

Taking the sun's pulses

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Channel tunnel operator reports losses of £925m

Problem-ridden Eurotunnel, which operates the Channel tunnel between France and England, yesterday disclosed losses of £925m (\$611m) - one of the biggest deficits in UK corporate history. The Anglo-French group has been negotiating with its 235 banks since last September, when it suspended interest payments of \$2.1bn of debt. Yesterday co-chairman Sir Alastair Morton blamed the banks for the slow pace of the talks and said he was "frustrated" by poor communications among them. Page 17; Lex, Page 16

Ceasefire quest goes on: The US and France continued to try to broker an end of the 12-day Israeli bombardment of Lebanon as hopes of an imminent ceasefire faded. Page 17

German employers on the attack: Germany's leading employers' federations condemned the government's efforts to cut public spending and revitalise the economy. Raising a clash with the trade unions, they said Bonn's planned measures "would fail by a long way" to reduce the burden of social security contributions. Page 18

Sri Lankan plantation workers strike:



Thousands of Sri Lankan tea, rubber and coconut plantation workers, including those tea pluckers from the southern district of Ratnapura, started a six-day strike to press for guaranteed working hours and more pay. An estimated 200,000-300,000 workers were involved.

Fiat plans \$10.5bn investment: Italian vehicle maker Fiat is to invest \$10.5bn (£6.5bn) in introducing 15 new models between the end of next year and 2002. An additional \$3.5bn will be committed to more car assembly projects in developing countries, notably China and India. Page 17

UK to reverse stance on mines: Britain is about to reverse a longstanding policy and join calls for a ban on anti-personnel mines, government officials said. Page 11

Saudis held over bombing: Four Saudis confessed on state television to last November's car bombing which killed seven people in the capital Riyadh. They said they had been planning further attacks. Page 7

Ankara accuses Greeks: A Greek coastguard ship fired on a Turkish fishing boat off the southern Turkish coast near the resort town of Kias and injured one fisherman. Turkey and Greece almost came to blows over disputed islets in the Aegean in January. Page 3

Curtains for Chernobyl: One of two reactors still working at Ukraine's Chernobyl nuclear power station will shut permanently this year, the country's environment minister said. The ruined fourth reactor exploded 10 years ago.

Former Polish premier cleared: A probe into allegations that former Polish premier Jozef Oleksy spied for Russia was abandoned for lack of evidence. Page 2

Sliding officials stand trial: International Skiing Federation race directors Kurt Hoch of Austria and Jan Tischhauser of Switzerland went on trial in Munich, Germany, charged with negligent killing over the death of Austrian skier Ulrike Mair at a 1994 World Cup downhill race.

The Financial Times World Wide Web site, <http://www.ft.com>, has been redesigned. As well as top stories from the newspaper, London share and managed fund prices and market indices, it now contains closing prices of 11,000 equities on 39 exchanges, together with more international coverage, more analysis and news summaries updated during the global business day. Users can carry out a computer search of the site and contribute comments on the issues of the day.

STOCK MARKET INDICES	
New York S&P 500	5,594.74 (+29.26)
Dow Jones Ind Av	3,394.74 (+11.59)
NASDAQ Composite	1,190.59 (+11.59)
Europe and Far East	
CAC40	2,116.54 (+24.09)
DAX	2,545.91 (+8.39)
FT-SE 100	3,827.7 (+4.4)
Nikkei	22,122.89 (+240.05)
US LUNCHTIME RATES	
Federal Funds	5.25%
3-month Treas Bill	5.00%
Long Bond	8.0%
Yield	5.72%
OTHER RATES	
UK 3-mo Swap	6.75%
UK 10 yr GE	9.5%
France 10 yr DAT	106.5 (105.62)
Germany 10 yr Bond	97.53 (97.28)
Japan 10 yr JGB	87.848 (87.879)
NORTH SEA OIL (Argus)	
Brent Dated	\$15.43 (18.54)
GOLD	
New York Comex	329.2 (329.7)
London	329.175 (329.15)
DOLLAR	
New York S&P 500	1,517
DM	1.5195
FF	1.315
SFr	1.228
Y	106.67
STERLING	
London	1.5113 (1.5177)
DM	1.5164 (1.5057)
FF	1.3155 (1.3109)
SFr	1.228 (1.228)
Y	106.635 (106.969)

Lira strengthens and shares surge ■ Early return to ERM expected

Centre-left takes clear victory in Italian poll

By Robert Graham in Rome and Andrew Hill in Milan and John Simkins in London

Italy's centre-left Olive Tree alliance, led by Mr Romano Prodi, yesterday emerged with a clear parliamentary majority, raising the prospect of an early return of the lira to the European exchange rate mechanism. News of the Olive Tree's narrow but decisive victory in Sunday's elections saw the lira strengthen sharply and the Milan bourse gained more than 4 per cent in heavy trading.

Counting was still continuing last night, but ministry of interior figures and projections gave the Olive Tree 319 seats in the 630 seat chamber against the 315 required for a majority. Other small parties could boost this to near 325.

This majority included 25 seats won by Reconstructed Communism (RC), formed from the hardline of the old Communist party with whom there was only an electoral pact and no agreement on a government programme. But in the 315 seat senate, the centre-left had a majority of one seat with 157 seats without RC.

In contrast the rightwing Freedom Alliance, led by the former premier Mr Silvio Berlusconi, gained 246 seats in the chamber and 116 in the senate. The right only formally conceded defeat around midday yesterday with Mr Gianfranco Fini, leader of National Alliance (AN), pledging to form a tough opposition. Mr Berlusconi subsequently also vowed to remain in politics on the opposition benches.

The big surprise was the strong performance of the populist Northern League of Mr Umberto Bossi which fought on its own and won 59 seats in the chamber and a secessionist platform. Mr Bossi has indicated he was not eager to co-operate with the new government.

This means the Olive Tree will need to rely upon RC in government. The first reactions from RC were cooperative. But the presence of the neo-fascist Marxists of RC led analysts in Milan and London to be cautious in spite of the enthusiastic reaction of the markets. Mr James Cornish, European market strategist of NatWest



Top of the tree: Romano Prodi, the Olive Tree's candidate for prime minister, said in victory that the government would "be formed on the basis of the programme... submitted to the electorate"

Markets in London, warned: "Everybody in the markets is shouting for joy but I think there are problems in forming a stable government able to take tough economic decisions."

The prospect of a stable government would permit the Bank of Italy to reduce the official discount rate within the next two months, and possibly by as much as one point to 6 per cent by the end of the year, analysts said. Stability could also bring the Italian currency back into the European exchange rate mechanism. "The centre-left has made clear that they have to rejoin the

US telecoms merger will cost 3,000 jobs

By Tony Jackson in New York

The long-awaited \$51bn merger between the US's Bell Atlantic and Nynex was announced yesterday, creating the second largest phone company in the US and fourth largest in the world. The companies said they expected to shed 3,000 jobs in central management, from a total headcount of 134,000. They denied suggestions of sweeping cuts in the unstaffed workforce.

"This is a growth story," Mr Ivan Seidenberg, Nynex chairman, said. "Our view is we'll create jobs much faster in new markets than we'll lose them in our core business." The new company will serve 26m domestic customers with conventional phones and 3.4m with cellular phones, and has substantial interests overseas. Its revenue of \$27.8bn ranks it 23rd among US corporations.

Russian brokers flock to gamble on Yeltsin futures

By Chrystia Freeland in Moscow

Russia's nervous stockbrokers, hoping to turn fears into profit, yesterday threw themselves into the first day of trading in futures on the outcome of the June 16 presidential ballot. Officials at the Russian commodities exchange said the trading, which will be conducted daily until two days before the vote, is the country's first organised betting on political events.

Brokers said trading yesterday was more active than it has ever been in a newly launched financial instrument. With the recent convert's fervent faith, officials at the exchange think their "presidential futures" will be more accurate than public opinion polls in predicting the outcome of the

elections. "We think they will be more accurate than opinion polls because it's not just some dry research; the brokers are risking their own money," said Ms Natalya Bolikina, head of the research department at the exchange. The dealers, whose normal business is in commodities such as sugar and oil and stocks in blue-chip companies, can now also gamble on the percentage of the vote each of the seven registered candidates will attract in the first round of Russian presidential elections. Traders were bullish on Russian president Boris Yeltsin's chances for re-election, pushing his estimated percentage of the vote up to 25.5 per cent from the market's initial quote of 18 per cent.

But they also showed confidence in the president's strongest rival, Mr Gennady Zyuganov, the communist contender, who moved up slightly from an initial position of 26 per cent to 25.4 per cent. If no candidate wins more than 50 per cent of the vote in the first round, the top two politicians will face each other in a run-off, but the exchange is not yet trading bets on the possible outcomes of a second round of voting. Traders said the futures would be irresistible to businessmen because they tapped into the Russian penchant for political speculation. "Those people who think they will lose if Zyuganov wins understand very well that in such a situation it would be hard for them to collect on their futures contracts," said Mr Eduard Lanchiev, an analyst at AB Finance. "Rather than hedging with futures a businessman would be more likely to just take his money out of the country."

Some Moscow financiers were even more cautious, saying they would avoid the "presidential futures" for fear of the political repercussions of betting the wrong way.

UK plans cattle cull in return for lifting of ban

By Alison Maitland in London, Neil Buckley in Brussels and Caroline Southey in Luxembourg

The UK will today propose a highly selective slaughter of British cattle in exchange for a lifting of the European Union's worldwide ban on the country's beef exports.

Mr Douglas Hogg, UK agriculture minister, will put proposals to the European Commission for a cull of about 40,000 animals born in the early 1990s in herds which have had cases of BSE - bovine spongiform encephalopathy - or mad cow disease. However, in a move which could further alienate some of Britain's EU partners, the government is arguing it will only order the destruction of these animals if there is a clear understanding that it will lead to a lifting of the export ban. It is also insisting that the plan should have the backing of parliament and British farmers.

EU member states, some of whom have suffered greater falls in beef sales than Britain as a result of the crisis, are likely to argue that they want to see the effects of the slaughter policy in eradicating BSE before lifting the ban.

Mr Hogg's meeting with Mr Franz Fischler, the EU agriculture commissioner, comes amid heated exchanges over the British government's consideration of a retaliatory ban on imports of beef from other EU countries. Mr Malcolm Rifkind, the UK foreign secretary, yesterday refused to be drawn on whether Britain would press ahead with its threat. He said at a meeting of EU foreign ministers in Luxembourg that the UK was working for an "early positive decision [on the export ban]. If that does not happen inevitably other options would be looked at".

A European Commission official said such a move "would be illegal". It would also "not lead to the kind of atmosphere" of co-operation the Commission hoped to foster with the UK in dealing with the BSE crisis. "A UK ban could well lead to Germany 'hit hardest', Page 16 Editorial Comment, Page 15

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Heavy cuts demanded in EU fishing

By Neil Buckley in Brussels

Drastic action is needed to reduce fishing activity and preserve Europe's dangerously over-exploited fishing stocks, European Union ministers heard yesterday.

The warning, in a report by independent experts presented to ministers by the European Commission, signals the start of months of tough negotiations over reductions in fishing fleets. It warned that catches of common species such as cod, haddock, herring and sole must be cut by more than 40 per cent in some areas.

"A large proportion of stocks in all areas are exploited at levels of fishing mortality higher, and sometimes far higher, than the maximum that would allow a rational and sustainable fishery," it said.

Ministers must agree by December on the next so-called multi-annual guidance programme for fisheries, fixing ceilings for EU activity from 1997 to 1999, and targets for fleet cuts.

Mrs Emma Bonino, fisheries commissioner, told ministers "restructuring of fleets" was

Unilever moves to help protect North Sea fish stocks

Unilever, Europe's leading frozen fish producer, is to stop using fish oil derived from "industrial" fishing in the North Sea because it damages the marine environment and threatens fragile stocks such as cod and haddock, writes Alison Maitland in London.

The company, whose brands include Birds Eye in the UK and Iglo in continental Europe, said yesterday the move would cut its net profits by between £5m and £10m a year as it switches to soya or palm oil. These are about 30 per cent more expensive and entail higher transport costs. The change would take place within a year.

Ms Caroline Whitfield, Unilever's international fish manager, said the move was aimed at preserving profits in the long term. "It's about protecting the rest of our fish business, which relies on cod

and haddock." The company's European business made an operating profit of £1.26bn (\$1.9bn) last year.

Fish oil, which Unilever refines in Europe for sale to companies making margarine, shampoo and cosmetics, comes from tiny, low-value fish such as sprat and sand eel.

The fish, which are the staple food of more valuable species such as cod and haddock as well as sea birds, are caught in ultra-fine nets which scoop up marine life indiscriminately. Industrial fishing is unregulated, with no quotas or other restrictions on the amount caught.

European waters - mainly the North Sea - yield about 1m tonnes of "industrial" fish each year. This is used to produce about 250,000 tonnes of fish oil, of which Unilever takes about 20 per cent. About 80 per cent of industrial fishing

in the North Sea takes place in or around Danish waters, although there are other industrial fishing grounds off Norway and Iceland.

Ms Whitfield said there was clear evidence industrial fishing in European waters was harming fish stocks and sea bird populations. Unilever was looking at the environmental impact of industrial fishing in other parts of the world.

The company is meanwhile experimenting with oil from edible fish, using waste that would otherwise be discarded. Unilever's move is part of a project agreed with the World Wide Fund for Nature in February to use consumer power to tackle the global decline in fish stocks. The company has pledged that all its fish products will carry a logo by 2005 certifying they come from "sustainable" fishing grounds.

because that was where they were registered.

He said the UK was badly hit by the problem because of its traditionally open regime for registration of foreign-owned vessels, and would raise the issue at the intergovernmental conference on the future of the EU. Mr Baldry's comments followed a European Court judgment last month ordering Britain to pay compensation to non-UK fishermen for illegally banning them from UK waters between 1989 and 1991 in an effort to stop quota-hopping.

Aides to Mrs Bonino will meet Mr Baldry next week to discuss solutions to the problem.

Ministers agreed unanimously on a new system of flexible fishing quotas, allowing member states falling short of their fishing quota in any category, except those where there are serious shortages, to increase the following year's quota by an equivalent amount.

Members exceeding their quota in one year would have their quota reduced the following year, with additional penalties for over-fishing by more than 10 per cent.

EUROPEAN NEWS DIGEST

Lisbon voices doubts on Emu

Mr Antonio Sousa Franco, Portugal's finance minister, has admitted his country may not join a European single currency in 1999. "If Portugal delayed [entry] one or two years, this would not cause serious damage," he said yesterday.

Mr Sousa Franco reaffirmed that economic and monetary union remained the goal of the Socialist government. "The objective is that Portugal enter in the first group," he said, adding that this was the only way to ensure the country could benefit from the lower interest rates that would accompany a single currency. This year's budget is aimed at putting Portugal firmly on course for Emu, but the minister said that even if the country remained outside, it would pursue the same sort of economic policies as those inside. *Reuters, Lisbon*

Waigel hopeful over economy

Mr Theo Waigel, the German finance minister, said the International Monetary Fund's recent forecast for German GDP growth of 1.0 per cent in 1996 was "not unrealistic", adding the German economy is expected to recover from recent weakness as the year goes on.

Speaking at a news conference ahead of a meeting of G7 finance ministers and central bank chiefs, Mr Waigel said recent moderate wage deals in key industry negotiations, together with efforts to rein in government spending, should support Germany's international competitiveness and spur renewed economic growth.

Mr Waigel said the latest Bundesbank interest rate cut would also support renewed economic growth. The easing was an important signal and reinforced German monetary policy growth-friendliness, Mr Waigel said.

At the same news conference, the Bundesbank president, Mr Hans Tietmeyer, said German interest rates were now extraordinarily low, with the discount rate at an all-time low of 2.5 per cent. He added that there was currently no sign of inflationary pressure in the economy. *AFX, Washington*

Anti-Chernobyl protest in Kiev

Anti-nuclear activists symbolically buried a model of the Chernobyl nuclear power station's ruined fourth reactor in Kiev yesterday, and demanded the plant's immediate closure.

The protesters, clad in white and representing the environmental group, Greenpeace, placed a model of the "sarcophagus" erected around the reactor in a mock coffin outside the office of Mr Leonid Kuchma, the president of Ukraine. Rows of crosses were set up on the street, each bearing the name of a village evacuated after the reactor exploded 10 years ago this week.

At one point, Mr Volodymyr Gorbun, secretary of Mr Kuchma's security council, engaged the protesters in a short debate, saying: "Is it possible to close down Chernobyl in one day? Ukraine needs electricity."

Mr Yuri Kostenko, Ukraine's environment minister and senior negotiator in the talks to close Chernobyl, said Mr Kuchma told a weekend summit of world leaders in Moscow that Chernobyl's number one reactor would be shut by the end of the year. Ukraine has pledged to close the station entirely by 2000. *Reuters, Kiev*

New EU official for Mostar

Mr Ricardo Perez Casado, the new European Union administrator in the divided Bosnian town of Mostar, officially started work yesterday.

The 60-year-old former mayor of Valencia in Spain professed optimism that Muslims and Croats in the bitterly divided town could learn to cohabit successfully. "I think we must be optimistic," Mr Perez Casado said.

Mr Perez Casado succeeds the German, Mr Hans Koschnick, who resigned from the job earlier this month after accusing the EU of failing to provide adequate support for his plan to reunify the town. Croats who want to make Mostar an entirely Croat town physically attacked Mr Koschnick over the scheme.

The EU has administered Mostar since July 1994, and has invested more than \$150m, but Muslims and Croats there have so far resisted attempts at reunification. *Reuters, Mostar*

Hungary's 'model FBI academy'

A US-backed academy in Hungary that trains police from ex-Communist countries is a success and could be a model for the world, a US state department official said yesterday.

"We are in the process of discussing that with other nations," Mr Robert Gelbard, US assistant secretary of state, said at a news conference, mentioning central America and the Caribbean as potential locations for similar centres. The International Law Enforcement Academy, nicknamed "the FBI academy" after the US Federal Bureau of Investigation, was started last April with partial funding from Washington and instructors coming from US federal crime fighting agencies.

The academy will now begin operating at full capacity, training 250 police officers from the former Communist countries each year.

"As crime becomes more international, law enforcement has to be more international as well," said Mr Gabor Kuncze, the Hungarian interior minister. The official opening ceremony was attended by Mr Arpad Goncz, the Hungarian president, and Ms Janet Reno, the US attorney general. *Reuters, Budapest*

Spanish retail sales decline

Spanish retail sales fell 8.95 per cent in February from January, when they declined 13.93 per cent month-on-month, according to Spain's National Statistics Institute. The retail sales index stood at 135.08 in February, compared with 148.61 in January.

Large store sales fell 19.93 per cent in February from January, when they declined 26.62 per cent month-on-month. The large store sales index stood at 93.22 in February. Sales of food products by large stores dropped 2.85 per cent in February from the previous month, those of personal goods by 41.79 per cent and household goods by 15.89 per cent. Other consumer goods sales fell 37.56 per cent. *AFX, Madrid*

Dutch industrial sales rose 2 per cent in February from a year earlier, according to provisional figures issued by the Central Bureau for Statistics.

Revised figures showed January industrial sales were unchanged from a year earlier, compared with the provisional 1 per cent rise for January reported last month. In February 1995, industrial sales rose 10 per cent year-on-year, the bureau said.

Portugal's budget deficit stood at Es197bn (\$1.27bn) in the first quarter of 1996, down 24 per cent on the same period last year.

Monthly inflation in Romania slowed to 1.7 per cent in March from 1.9 per cent the previous month.

Oleksy cleared of spying charges

By Christopher Bobinski in Warsaw

The inquiry into charges that Mr Josef Oleksy, a former Polish prime minister, spied for Russia has been dropped for lack of evidence. Colonel Sławomir Gorzkiewicz, a military prosecutor, said yesterday he was ending the investigation because his inquiries had failed to produce any evidence that an offence had been committed.

The charges were first brought last December, in the final days of Mr Lech Walesa's presidency, by Mr Andrzej Milczanowski, then interior minister and a Walesa supporter. Mr Milczanowski, who has since resigned, told parliament at that time that an investigation by Poland's security services had provided evidence of espionage by Mr Oleksy, who was then prime minister.

The accusations centred on Mr Oleksy's contacts with Mr Vladimir Alganov, a KGB agent resident in Poland, when the former had been a local Communist party official and later, after Solidarity came to power, when he became an opposition MP.

Mr Oleksy admitted meeting Mr Alganov but denied spying. Nevertheless, he was forced to resign as prime minister in January when the prosecutor's office took up the case. He was succeeded by Mr Włodzimierz Cimoszewicz, also a former Communist, who leads the present governing coalition. This is made up of the Left Democratic Alliance (SLD) - dominated by the SdRP, the party of the former Communists - and the Polish Peasant party.

The SdRP subsequently rallied around Mr Oleksy and elected him unanimously as their leader, a post vacated when Mr Aleksander Kwasniewski was chosen as president to succeed Mr Walesa.

Even though opinion surveys show a small majority of Poles believe Mr Oleksy is innocent the case has hurt his political credibility. The opposition will return to the charges during next year's parliamentary election campaign.

Yesterday, Mr Walesa implied that the decision amounted to a cover-up, saying he had not expected "anything else from this political option".

Yeltsin looks to Asia as G7 keeps him out of the club

Bruce Clark reports from Moscow on signs of emerging consensus among Russia's political class on important foreign policy issues

President Boris Yeltsin's domestic critics poured scorn yesterday on his claim to have boosted Russia's prestige, and his own personal standing, by inviting his western counterparts to a summit on nuclear security over the weekend.

But there were also signs of a consensus across Russia's political spectrum on some foreign policy issues: the need to stand up to the west over Nato expansion, and to consolidate relations with Asian partners such as China (to which Mr Yeltsin begins a visit tomorrow) and India.

Summit means as much to ordinary people in Russia as life on the moon, said Mr Yuri Shekhtochkin, a well-known liberal parliamentarian. "Visits by western leaders do not have the same resonance as they did in the days of Reagan and Thatcher."

He added that many Russians blamed the west for treating the forthcoming presidential election as a straight choice between Mr Yeltsin and his main rival, the Communist leader Mr Gennady Zyuganov.

Paradoxically, Mr Yeltsin's visit to China will probably enjoy broader support from Russia's political class than his recent hobnobbing with western leaders. Moscow's relationship with China is supported strongly by Russia's defence industry bosses, who see Beijing as a promising purchaser of weapons, particularly aircraft, and technology. The Chinese leadership is also admired by many Russian hardliners for its authoritarian style, its economic success and its willingness to face down the west over human rights and regional issues. Mr Zyuganov's electoral programme calls for relations with China to be a top Russian priority.

Critics of the weekend summit deplored the fact that Mr Yeltsin failed to persuade the leaders of the Group of Seven industrial countries to include Russia in all their future deliberations, so as to make a Group of Eight. For the past two years, G7 meetings have included Russia in their discussions about diplomatic and security issues. But Russia is still excluded when economic questions, which were the Group's original concern, are under review.

Mr Yeltsin is expected to put enormous pressure on the G7 to give him a high status at the Group's forthcoming summit in Lyons, to be held at the height of the electoral contest.

"There were hopes before the Moscow summit of upgrading Russia's status and creating a G8 but this has not succeeded,"



Mr Gennady Zyuganov, head of the Russian Communist party and a leading candidate for Russia's presidency, visited Lenin's tomb in Moscow's Red Square yesterday to celebrate the 126th anniversary of the Soviet Union founder's birth.

said Mr Alexei Podberезkin, deputy head of the Duma's foreign affairs committee. "Any way, Russia is already a leading industrial power, so it shouldn't have to ask France or Japan for permission to be one."

But Mr Podberезkin - one of Mr Zyuganov's ideological mentors - said there was now a broad consensus between Mr Yeltsin and his opponents over Nato expansion: all were firmly against. The only shade of difference was that Mr Zyuganov's party took an even more sceptical attitude than Mr Yeltsin to Partnership for Peace, Nato's programme for military co-operation with the former Warsaw Pact.

In another hint of a grudging consensus over foreign policy, Mr Podberезkin said the

Start-2 treaty on reducing long-range missiles might be debated by the Russian parliament in autumn, with a 50-50 chance of winning approval. "I think it's a bad treaty but it may be better than no treaty at all," he said, striking a more positive note than hardliners in the Communist-dominated parliament have sounded before.

Meanwhile, as Mr Yeltsin seeks over the next few days to consolidate ties with China, only one group of Russian hardliners is likely to create problems: the Cossacks, the caste of warrior peasants whose right to form separate units in the Russian armed forces has been reaffirmed by the president in a pre-electoral gesture.

The Far Eastern Cossacks

have repeatedly protested over a Russian-Chinese project - in progress since 1991 - to demarcate the two countries' land border more precisely. The Cossacks have accused Moscow of making too many concessions to Beijing, and hinted that they may take unilateral action in defence of Russia's frontiers.

However, Mr Yeltsin said last night that his visit to Beijing would put in place a "constructive partnership for the 21st century" and turn the relationship into a "major factor of peace and security in the world". But his diplomatic adviser, Mr Dmitry Ryurikov, said the Russian-Chinese relationship would not amount to a new bloc: each country would still look after its own security interests.

German banks hit out over tax raids

By Peter Norman in Bonn

Germany's tax authorities were accused yesterday of acting in a manner that was incompatible with the constitution by a series of raids on banks in pursuit of suspected tax evaders.

Mr Karl-Helm Wessel, president of the German association of private sector banks, said that investigators appeared to operate on the principle that anybody with a bank account abroad, or who transferred or deposited funds abroad, should be suspected of seeking to evade taxes in Germany.

Without naming the bank, he referred to a recent case in which the authorities had seized 40,000 documents relating to customer accounts and accounts held by other banks to establish whether these clients had accounts abroad.

The investigators were "not just putting the banks under the eye of Big Brother but their customers as well", he said.

Mr Wessel, who is a partner of Sal Oppenheim Junior, the private bank chaired by Mr Karl Otto Pöhl, the former Bundesbank president, said the tax investigators were driving business away from German banks.

Their action highlighted the need for a thorough-going reform of Germany's tax system to make it fair and comprehensible for the average citizen.

Using unusually strong language, Mr Wessel accused the German authorities of "schizophrenia" by attacking the right of citizens to transfer money abroad while imposing tough data protection rules and agonising over such issues as whether to bug the homes of known criminals involved in organised crime.

The right of Germans to transfer cash and invest abroad had been established for decades and corresponded with the European Union principle of free capital movements, he said.

Shortly after Mr Wessel spoke in Bonn another case involving tax investigators and a German bank came to light.

The state prosecutor's office in Hanover reported that 69 customers of the state-owned Norddeutsche Landesbank had filed suits incriminating themselves of tax evasion. The action - which under German law will give them immunity from prosecution - followed two swoops on the bank by tax investigators over the past year.

Spain fears delay in government may deter investors

By Tom Burns and David White in Madrid

Spain's centre-right Popular party, which is facing a fresh hitch in its efforts to form a government with backing from regional parties, is concerned that further delay could undermine investor confidence, with damaging effects for the economy.

The Catalan nationalist coalition Convergència i Unió (CIU) yesterday suspended talks until tomorrow while it reviewed the PP's latest proposals on regional financing.

Support from the Catalan group is indispensable for Mr José María Aznar, the PP leader, to be able to form a government following his narrow election victory seven weeks ago.

The PP's concern has been heightened by the risk of international funds switching from Spain to Italy in the light of the Italian general election result.

"We are seeing a direct relation to Italy right now, where there is a huge rally, and the chance of a negative reaction if Spain does not get a government together soon," said the

manager of a London-based hedge fund.

"Normally a delay in forming a government in Spain would not be important, but it has become so because of the positive news in Italy," he said.

A Madrid merchant banker said: "Right now what is fuelling the market in Spain is the flow of foreign funds. The markets want a government as soon as possible."

International and Spanish investors have so far displayed confidence in the prospect of a PP government backed by the Catalans and other

regional groups, which would give Mr Aznar a working majority in parliament. A strong peseta has raised expectations of a further cut in interest rates by the Bank of Spain today. Stock prices in Madrid remained near all-time highs yesterday, with the general index at one stage breaking the previous record set in early 1994.

However, hopes of getting a new government in place by the end of this month appeared to dwindle yesterday after failure to break the deadlock in inter-party negotiations. After a five-hour meeting at the

weekend with Mr Jordi Pujol, the Catalan regional president and CIU leader, Mr Aznar said a deal with the CIU was virtually complete, barring some "details". But Mr Pujol was less optimistic, saying there were still "important differences".

Mr Joaquim Molins, the main CIU negotiator, warned yesterday that the PP could not yet count on support if it tried to stage an investiture debate early next week. This raised fears that the date would be pushed at least a week further forward, following next week's May Day holiday.

"A week's delay may not matter that much. But, beyond that, the Spanish market would begin to underperform Italy," said Mr Gwyn Hachec, an economist at James Capel in London.

The negotiations centre on a scheme under which regional governments would be responsible for handling a further 15 per cent of income tax receipts, in addition to the 15 per cent earmarked for them under the present system. However, the PP and CIU are at odds on how much extra funding this new scheme would imply for Catalonia.

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Turkey raises deficit doubts in late budget

By John Barham in Ankara

Turkey's parliament yesterday approved the 1996 budget which calls for a deficit equivalent to about a quarter of spending, or about 7 per cent of gross domestic product. However, many economists and market analysts still warn that the government's targets for spending, inflation and tax receipts are over-optimistic and expect the budget deficit to be larger still.

The budget - delayed by elections at the end of last year - calls for spending equivalent to about \$42.7bn at this year's projected average exchange rate, and puts the budget deficit at about \$11.7bn. But some financial analysts warn the deficit could reach \$17bn, possibly destabilising the economy by accelerating inflation which is already running at 79 per cent a year. The budget is based on an inflation forecast of 65 per cent against market expectations of about 80-85 per cent.

Mr Atilla Yesilada, director of research at Istanbul's Global Securities brokerage, said meeting these targets would involve among other things "a government plan to reform the tax system or cutting down on tax cheats. I think it is totally illusory." Tax revenues are budgeted at two-thirds of spending.

He added that the \$18bn equivalent allocated for interest payments on the government's burgeoning domestic debt may also prove insufficient. Mr Yesilada said: "Based on our estimates, budget allocations for the domestic debt alone will be exhausted by the third quarter." Interest pay-

ments on the \$27.02bn domestic debt are already the largest item in the budget, taking up nearly half of all projected spending.

Some analysts fear that a domestic debt crisis could trigger either hyperinflation, as the treasury loses financial markets' confidence, or force the government to impose a traumatic unilateral rescheduling on bond holders.

The government yesterday appointed Mr Mehmet Kaymaz, an economics professor and head of the State Institute of Statistics, as the new treasury under-secretary responsible for controlling spending. Although he is respected as an able technocrat, markets worry about his ability to resist demands for money.

However, the new conservative coalition government of Mr Mesut Yilmaz has won plaudits from some economists for drafting a somewhat more realistic budget than his predecessor, Mrs Tansu Ciller, with whom he now shares power.

One analyst said: "The key issue is confidence. Yilmaz is perceived as more reliable than Ciller, so if he can stick more or less to the budget, financial markets should keep interest rates where they are, at about 100 per cent a year, and inflation should remain stable." This means that the interest portion of the budget could remain on target.

Still, this would require further reforms of the bankrupt social security system which is the second largest contributor to the deficit after interest payments. However, structural reform of the system may be difficult since the government is 15 seats short of a majority.

The old ways may devalue Albania poll

Albania, the poorest and most isolated country in Europe under the dictatorship of Enver Hoxha, is embroiled in an election contest which reveals the power of old ways and the obstacles hindering multi-party democracy after centuries of poverty and authoritarian rule.

Four years after leading his Democratic party to victory over the former Communists in the March 1992 elections, Mr Sali Berisha, the powerful Albanian president, is seeking to prevent Albania from following the pattern established in several other post-Communist societies.

He is calling on voters to back the Democratic party in the May 26 poll and stop Albania from falling back into the hands of a Socialist party he reviles as a renamed version of the Communist party that terrified Albanians for more than 45 years.

While the president warns that a Socialist victory would divert Albania from the path of democratic reforms and European integration, the Socialists and other opposition parties accuse Mr Berisha of abusing his office and manipulating laws targeting former Communists to attack opponents in an undemocratic manner.

Political tensions flared earlier this month when 35 Socialist party members and several

other leading opposition figures were banned from running for election by a government-appointed "verification" commission. The commission was set up to enforce the so-called "genocide law" of September 1995 preventing former senior Communist officials and collaborators from seeking elected office. The law, in practice, is being applied in a highly selective way.

The ban affected the Socialist party's general secretary, Mr Gramoz Ruci, and Mr Servet Palumbi, its vice-chairman. The Socialists point out that the Democratic party is as full of former Communist party members as their own party. The president himself was a privileged heart surgeon under the old regime and treated senior officials, including Hoxha himself.

The Socialist party, with its most charismatic leader, Mr Fatos Nano, already in jail, says that disqualification is an act of political vengeance by President Berisha and an attempt to wipe out the opposition. They also attack recent amendments to the electoral law, which make it more difficult for smaller parties to enter parliament, and 1995 reforms placing polling stations under the control of government-appointed prefects.

The Socialists have been the main opposition since the Dem-

Albanian elections: strong words



President Sali Berisha: reviles the Socialist party as Communists under a different name; the Socialists accuse him of abusing power by manipulating laws to attack them.

Parliament: election results 1992

Party	Percentage of votes	Number of seats
Democratic party	62.1	62
Socialist party	25.7	26
Social Democratic party	7.4	4
Party of Union of Human Rights (former Greek party)	2.2	2
Republican party	1.3	1
Others	1.6%	(no seats)

Source: Democratic party

ocrats swept to power with a 62 per cent majority in the second democratic elections of March 1992. They have since regained popularity, rallying around Mr Nano who was imprisoned in July 1993 on questionable corruption charges. The Socialists also complain about a redefined electoral map which they say gives

unfair advantage to the Democratic party, supported by the largely state-controlled media. Despite these handicaps the Socialists predict that they will win 82 out of 115 electoral districts in a reaction against Mr Berisha's authoritarian style. But the opposition remains relatively weak and divided while economic reforms, backed by

large-scale foreign aid and emigrant remittances, have raised consumption levels and the "feel-good" factor among voters.

Further economic and legal reforms are needed, however, to attract the productive investment needed to underpin the rather superficial economic recovery. This has already filled shops and markets with imported goods, fuelled a construction boom and led to a resurgence of growth and sharply higher agricultural production from thousands of small farms.

But freeing up the economy and society has also triggered off a potentially destabilising influx from the mountainous hinterland to overcrowded and insanitary shanty towns on the fringes of the cities. Corruption also remains a big problem in local and central government.

The collapse of the old system has raised unemployment and reduced the already low value of payments to pensioners - whose votes the Socialists hope will help bring them victory.

The Democratic party's main strength is the support for Mr Berisha who continues to build up his personal power despite the embarrassing failure of a constitutional referendum in 1994 which sought to legitimise a powerful executive presidency. The party is campaign-

ing on its four-year record of reforms, interlaced with attacks on the opposition as potential wreckers of all that has been achieved.

Meanwhile, two smaller parties, the Social Democrats and the Democratic Alliance, have formed a coalition to capture middle-of-the-road voters.

They also plan a link-up with the Socialist party after the elections. Last week, six Democratic Alliance candidates were disqualified along with Mr Skender Gjinushi, chairman of the Social Democratic party, who was a Communist minister of education. Mr Berisha attacks this putative coalition as a "Red Front" and has encouraged various rightwing groups to create a "Democratic Union" to fight against it.

Next month's polling will take place under the eye of international monitors. But the Socialists allege that free elections have already been jeopardised.

The next few weeks will show whether the last four years have been enough to sow the seeds of a gentler political culture where the government respects the rights of the opposition, and opponents can face the prospect of electoral defeat as only a temporary setback.

Marianne Sullivan and Anthony Robinson

Turks protest as Greeks fire on fishing boat

By John Barham

Turkey yesterday protested to Greece over an incident off the southern Turkish coast in which a Greek coastguard vessel fired on a fishing boat, injuring its skipper and reviving fears that the incident could lead to a new confrontation between the two countries.

Turkey's Foreign Ministry protested that the Greek coastguard "opened fire in Turkish territorial waters and wounded a Turkish citizen".

"The problems between Turkey and Greece are sensitive and complex. People should act cautiously and a dialogue between the two countries should start as soon as possible," the ministry said.

However, the Greek embassy rejected Turkey's account of the incident, in which Mr Alihan Gengul, skipper of the fishing boat Derya, was wounded in the legs. It claimed he had landed eight Iraqi illegal immigrants on the Greek island of Strongili. The embassy added that the coastguard only fired after the fishing boat ignored warning shots and that it was hit by mistake in bad visibility.

Turkey is one of the principal channels for illegal immigrants, especially Turkish and Iraqi Kurds, attempting to enter western Europe. They are transported through Turkey and into Greece through its poorly-guarded Aegean and Mediterranean islands.

Relations between the two countries deteriorated sharply in January when they were on the brink of conflict over two small uninhabited Aegean islands claimed by both countries. Conflict was only averted after US mediation led by President Bill Clinton. Greece has since held up European Union financial aid for Turkey in protest.

Turkey and Greece are Nato allies, but have gone to the brink of war several times in recent years over control of the Aegean sea and the division of Cyprus following Turkey's 1974 invasion. However, Mr Dimitrios Nezeritis, Greek ambassador to Ankara, said he saw no reason why a planned meeting in Bucharest on Saturday between the two countries' foreign ministers should be affected. Mr Mesut Yilmaz, Turkey's prime minister, in March offered unconditional talks on resolving its disputes with Greece in the hope of unlocking EU aid.

Dr Francois Gubler, his surgeon, provoked huge controversy and a ban on his book two days after publishing *The Great Secret*, in which he claimed the former president concealed a diagnosis for cancer from as early as 1981, and during his last few months in office was too pre-occupied with his illness to carry out his official duties.

Mrs Danielle Mitterrand, his widow, recently released her own memoirs, which have sold well. Other more critical books are also selling, including one attributed to his pet dog, Batic.

Mitterrand has his say at last

By Andrew Jack in Paris

Francois Mitterrand's two-volume version of his contribution to history goes on sale today with an initial print run of 200,000 copies.

The two books, one called *Interrupted Memoirs* and the other *Of Germany, Of France*, were the late French Socialist president's response to a large number of more or less critical books assessing his life published with increasing intensity over the last few years.

They cover his views on the war years until the end of the 1960s, and his views on Germany and its unification after the collapse of communism in eastern Europe.

Mitterrand worked on the texts intensively between handing over power to President Jacques Chirac last May until the day before his death in January, writing final extracts during his annual visit to Karnak in Egypt at the

New Year and correcting drafts in the following days.

After a huge initial flurry of attention paid to the former president in the wake of his death, public references to Mitterrand have begun to wane in the last few weeks. Nevertheless, the market for "Mitterrandiana" appears to remain strong.

Dr Francois Gubler, his surgeon, provoked huge controversy and a ban on his book two days after publishing *The Great Secret*, in which he claimed the former president concealed a diagnosis for cancer from as early as 1981, and during his last few months in office was too pre-occupied with his illness to carry out his official duties.

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NEWS: WORLD TRADE

Pact on Caspian pipeline shares

By Sander Thoenes in Alma Ata

Chevron and Mobil of the US have reached preliminary agreement with Russia, Kazakhstan, Oman and six other oil companies on equity shares in the construction of a pipeline to unlock the oil reserves of the Caspian Sea basin.

Those close to the negotiations said yesterday that the board of the Caspian Pipeline Consortium, now consisting only of the governments of Russia, Kazakhstan and Oman, would meet later this week to confirm the agreement with the eight companies for sale of half the shares.

The initial agreement offers hope for a \$20bn venture between Chevron, Mobil and the Kazakh government in western Kazakhstan, and for a range of oil and gas projects in landlocked Central Asia and Azerbaijan.

It also ends three years of conflicts between Chevron, the leading potential client, and Oman, which had insisted on a 25 per cent share for less than a quarter of investment. Oman agreed in March to cut its stake to less than 10 per cent.

Observers point to two reasons for the turnaround: the departure of Mr John Deuss, a Dutch billionaire who had negotiated the original pipeline consortium on behalf of Oman Oil, and Russia's warming to the project. Diplomats and oil experts say Russia decided to co-operate when Moscow realised that both Kazakhstan and Azerbaijan might otherwise opt to bypass Russia altogether with a pipeline through the Caucasus to Turkey.

Some negotiators fear the Kremlin may yet change its mind after this summer's presidential elections, or co-operate only during the first phase of the project, which will improve a bottleneck in Russia's pipeline system.

Russia was expected to take 22.5 per cent, leaving 20 per cent for Kazakhstan and 7.5 per cent for Oman. The other half would be shared among western and Russian investors.

British Gas ruled out of country's first LPG project as Vietnam shortlists BP and Enron

By Jeremy Grant in Hanoi

Vietnam has shortlisted British Petroleum and Enron of the US for investment in a \$160m liquefied petroleum gas (LPG) project near Ho Chi Minh City, dealing a blow to PetroVietnam, the state oil agency, to British Gas, Petronas, the Malaysian state company, Conoco and Panhandle Energy of the US, said it had rejected their proposals for the LPG plant.

The move is likely to delay further Hanoi's self-imposed deadline of next year to boost power production in the energy-starved south by using gas

found offshore. The World Bank predicts electricity demand, currently 2,300MW annually, will grow at 14 per cent a year until 2000.

A letter sent last week by PetroVietnam, the state oil agency, to British Gas, Petronas, the Malaysian state company, Conoco and Panhandle Energy of the US, said it had rejected their proposals for the LPG plant.

British Gas is likely to be unhappy about the decision as the LPG project is all that remains of a wide-ranging, \$400m gas project that

it had proposed in 1994.

"This 'fast track' plan was designed to tap gas found offshore in the Bach Ho (White Tiger) field to feed a series of power stations near Ho Chi Minh City by 1997.

The company had invested \$4m in a feasibility study for an offshore gas compression platform, pipeline and onshore facilities including an LPG plant at Dinh Co and storage terminal at Phuoc Hoa.

However, apparent indecision by the Vietnamese bureaucracy and the withdrawal of the company's Japanese partner, Mitsui, last year saw the project scaled back dramatically.

Hanoi then invited bids for the LPG plant and storage facility alone, despite British Gas appearing to be the obvious candidate for the job, having carried out the feasibility study.

The Vietnamese, meanwhile, pressed ahead with the offshore component of the project themselves, awarding a \$127m contract for the platform to France's Bouygues Offshore.

Hyundai of South Korea received a contract to build the

offshore pipeline. This has been finished and supplies gas to the Ba Ria power station.

Vo Van Kiet, Vietnam's prime minister, said last year that he would like to see gas at White Tiger used to fire turbines at Phu My 2 power station, in the south with a capacity of 900MW.

PetroVietnam and Brown & Root of the US are working on a pipeline taking excess gas at Ba Ria to Phu My.

However, industry experts say the fact that Vietnam has



chosen to go through a lengthy bidding process for the LPG plant and storage facility means neither is likely to be ready in time for the commissioning of the offshore gas platform in May 1997.

"You can now wave goodbye to fast gas for Phu My," said one.

Brittan warns on Jakarta's policy for national car

By Manuela Saragosa in Jakarta

Indonesia's policy to develop a "national" car, a move which disadvantages established foreign investors, is "objectionable" and will "drive away future investment", Sir Leon Brittan, European Union trade commissioner, said yesterday.

Sir Leon said he had made it clear in talks with Indonesian officials that the country's "national" car policy is "contrary to World Trade Organisation and TRIM (Trade Related Investment Measures) agreements: 'Who's to say that if this is done in the car sector it could not be done in others?'"

In February, President Suharto signed a decree which exempted a company controlled by his youngest son, Tommy Mandala Putra, from luxury sales tax and import tariffs for car components to develop what is being touted as a "national" car. The "Timor" car is being developed in a technical assistance agreement with South Korea's Kia Motors.

The move has angered Japanese car makers, which dominate the Indonesian car market. They have invested heavily in Indonesian plants to meet local content require-

ments under an incentive scheme that provides tariff relief for producers who use Indonesian-made parts.

Despite policies in the car sector which go against the country's general trend of economic deregulation, Sir Leon noted that Indonesia was an influential country and its support for the WTO's accord to liberalise the telecoms market was important. Such a move would "reinforce the leadership role of Indonesia in this part of the world", he said.

Indonesia has already opened up its telecoms market to foreign investment, but has yet to offer to sign up for the WTO's international accord on the sector.

Sir Leon said he had floated a "standstill" agreement with Indonesian ministers under which Jakarta would agree not to backtrack on any measures taken in opening the telecoms market. They had "nothing to lose by signalling they would stick to a policy of openness [in the telecoms sector]".

He is in Jakarta to follow up prospects for co-operation established at the Bangkok Asia-Europe meeting earlier this year, before the Singapore ministerial WTO meeting later this week.

Record net profits of \$5.2bn, but growth in capacity outstripping passenger demand

Iata chief warns on new aircraft orders

By Michael Skapinker, Aerospace Correspondent

The International Air Transport Association yesterday said its members made record net profits last year of \$5.2bn but warned that growth in aircraft capacity was outstripping passenger demand.

Mr Pierre Jeannot, Iata director general, said airline profits on international scheduled services would continue to grow this year to \$6bn.

However, total profits in the three years 1994-96 would still represent only 85 per cent of the amount lost in 1990-93.

Mr Jeannot told an Iata conference in New York that last year's net profit was achieved on revenues of \$129.6bn, producing a profit margin of 4 per cent.

The 1994 net profit of \$1.6bn, which represented 1.4 per cent of revenue. He expected 1996 net profits of \$6bn to be 4.3 per cent of revenue.

Air traffic had grown slightly faster than aircraft capacity last year. Total traffic, both passengers and freight, was up 8.4 per cent, compared with an 8.3 per cent rise in aircraft capacity.

Mr Jeannot warned airlines last year that profits would begin to fall again if they

ordered more aircraft than could be justified by the rise in demand.

Yields, or the amount airlines earn for each mile they transport each passenger, increased by 3 per cent last year, while unit costs rose 0.5 per cent.

Mr Jeannot said it was crucial that airlines kept unit costs under control during 1996 because fares were expected to fall. Yields were expected to drop by 0.6 per cent and unit costs by 1.4 per cent.

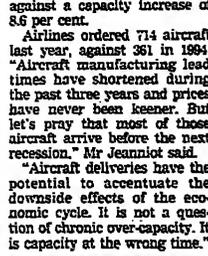
An additional pressure on finances would come from the growth in capacity as carriers began to order new aircraft

after the recession of the early 1990s. He expected traffic to grow by 8.1 per cent this year against a capacity increase of 8.6 per cent.

Airlines ordered 714 aircraft last year, against 361 in 1994. "Aircraft manufacturing lead times have shortened during the past three years and prices have never been keener. But let's pray that most of those aircraft arrive before the next recession," Mr Jeannot said.

"Aircraft deliveries have the potential to accentuate the downside effects of the economic cycle. It is not a question of chronic over-capacity. It is capacity at the wrong time."

World airlines financial results



Profit (as a % of revenue)

Source: IATA

World drug sales get off to fast start

By Daniel Green

World drug sales got off to a fast start this year with sales in the top 10 markets rising 9 per cent to \$11.7bn in January, against the same month the previous year, according to figures published today.

The rapid growth underlines the good first quarter results released earlier this month from the main US pharmaceuticals companies.

pharmaceuticals industry market researchers.

January's sales were compared with an unusual winter in Japan a year ago. A heavy cold and flu season, and weather conditions that increased the levels of cedar pollen, led to big sales of anti-infectives and respiratory drugs. By comparison, Japanese sales of anti-infective drugs fell 40 per cent in January 1995 to \$20bn, with respiratory drug sales down 18 per cent at \$146m.

This reduced total drugs sales in Japan, the world's second biggest market, by 7 per cent to \$1.66bn for the month.

The US remained the world's biggest market, with sales of \$4.72bn, an increase of 14 per cent on January 1995.

The best performing sectors were nervous system drugs, including Prozac, the anti-depressant made by Eli Lilly of the US, and blood agents, including cholesterol-lowering drugs such as those from Merck of the US and Sandoz of Switzerland.

US nervous system drugs sales grew 20 per cent to \$647m and blood agent sales rose 29 per cent to \$231m.

Germany remained the world's third biggest market, with sales up 14 per cent to \$1.5bn. The fastest growth came from respiratory drugs, including asthma treatments, and anti-infectives.

Growth rate in Italy bounced back from January 1995 levels just after the introduction of government controls to reduce spending on drugs with sales up 17 per cent to \$738m.

UK sales rose 14 per cent to \$546m, boosted by 44 per cent growth in the sales of blood agents, many of which have been launched recently.

By medical area, blood agents led the way, with world sales up 19 per cent to \$683m, powered by US growth. The decline in anti-infectives sales in Japan led to a worldwide slowdown, with sales down 3 per cent to \$1,250m.

IMS has also published data on the fastest growing medical areas for drugs companies, suggesting last year's trends are continuing.

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New Issue

March 14, 1996



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Incorporated

Salomon Brothers Inc

World pharmacy drug purchases January 1996 in US dollars (m)

	USA	Germany	France	Italy	UK	Spain	Canada	Netherlands	Belgium
Cardiovascular	590	254	321	308	182	88	84	61	31
Alimentary/Metabolism	752	313	241	225	121	108	72	47	40
Central/Nervous System	847	90	176	190	78	82	58	23	29
Respiratory	555	146	190	131	59	82	53	31	26
Anti-infectives	301	208	125	180	107	49	63	24	11
Blood Agents	231	165	63	85	43	12	25	21	10
Genito-urinary	296	35	85	71	38	30	15	18	10
Others	853	457	313	205	145	101	81	55	27
Total	4,724	1,688	1,316	1,385	730	546	481	308	176
% Change	14	(7)	14	6	17	14	12	(7)	9

Source: IMS International. * Non-hospital market only. ** On same period in previous year, including currencies.

Top sectors

Therapy	% growth 1994/5
Nasal preparations	20
Psychoneuroleptics	19
Anti-epileptics	17
Systemic anti-histamines	16
Cytostatic hormone therapy	15
Systemic anti-fungals	15
Anti-hypertensives	15
Anti-thrombotic agents	14
Urologicals	14
Lipid lowering agents	13
World market	9

Source: IMS Global Services - Pharmaceutical Review 1995 Preview

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES				JAPAN				GERMANY			
	Consumer price	Producer price	Exchange	Real exchange rate	Consumer price	Producer price	Exchange	Real exchange rate	Consumer price	Producer price	Exchange	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	96.6	102.1	99.8	102.8	95.3	100.0	100.0	100.0	100.0	100.0	100.0
1987	105.6	100.7	103.9	97.5	101.3	92.5	103.1	100.1	102.8	100.1	95.0	107.0
1988	108.9	103.2	106.8	99.4	102.4	92.3	107.8	98.8	100.9	101.4	96.2	112.6
1989	112.2	105.5	109.9	101.4	103.1	94.2	114.0	98.9	103.5	104.2	99.3	117.1
1990	121.5	113.9	115.5	104.0	104.4	95.7	120.1	99.8	108.1	107.0	101.0	125.5
1991	126.6	118.3	117.3	107.3	111.9	96.8	124.3	104.0	114.2	110.9	103.4	131.3
1992	132.4	117.7	120.1	107.0	114.0	95.9	125.6	112.9	114.5	118.8	104.9	138.2
1993	134.3	118.2	123.1	105.7	115.4	95.2	125.8	113.9	115.9	121.7	105.1	145.6
1994	137.8	119.9	126.5	105.4	116.2	92.8	121.5	118.5	137.1	126.1	105.7	150.3
1995	141.7	122.2	129.5	104.7	115.9	92.0	120.1	115.9	138.1	127.4	107.0	158.0
2nd qtr:1995	3.1	2.1	2.3	-0.5	0.7	-0.1	-0.5	-7.3	-3.4	1.9	1.9	3.8
3rd qtr:1995	2.6	1.6	2.7	-0.7	0.8	-0.2	-0.7	3.7	-0.3	1.7	1.9	3.3
4th qtr:1995	2.6	2.2	2.6	-0.4	71.9	-0.8	-0.7	3.2	-0.9	1.7	1.3	3.3
1st qtr:1996	2.7	2.2	2.2	-0.4	71.9	-0.3	-0.7	3.2	-0.9	1.7	1.3	3.3
April 1995	3.0	2.1	2.3	-0.8	68.3	-0.2	-0.4	-6.1	-4.5	2.1	2.0	n.a.
May	3.2	2.2	2.2	-0.5	66.9	-0.1	-0.5	-6.1	-3.7	1.8	1.9	n.a.
June	3.0	2.1	2.3	-0.5	66.7	0.0	-0.5	-8.2	-2.0	1.9	2.0	n.a.
July	2.8	1.7	2.8	-0.2	69.9	-0.1	-0.7	-8.2	-1.4	1.9	2.0	n.a.
August	2.6	1.3	2.6	-0.5	68.9	-0.4	-0.7	6.5	-0.3	1.8	2.0	n.a.
September	2.5	1.8	2.5	-1.4	70.2	-0.1	-0.8	2.4	-0.4	1.7	1.8	n.a.
October	2.5	1.8	2.5	-0.6	69.6	-0.2	-0.8	2.4	-0.4	1.8	1.8	n.a.
November	2.5	2.1	2.5	-0.6	70.0	-0.9	-0.8	2.3	-1.4	1.8	1.6	n.a.
December	2.5	2.2	2.7	0.0	70.8	-0.5	-0.8	4.3	-0.8	1.7	1.3	n.a.
January 1996	2.7	2.3	2.5	-0.8	7							

سكنا من الاجل

Why Cyprus ?

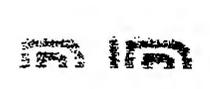
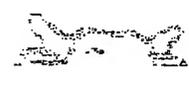
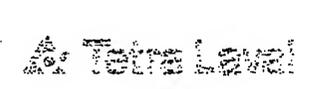
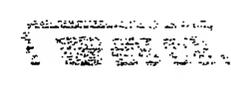
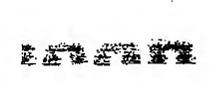
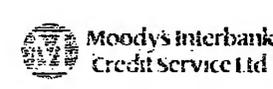
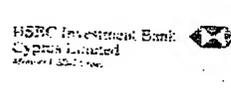
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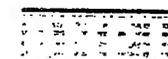
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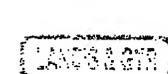
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NEWS: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Japan spending recovers slowly

Further evidence of a modest recovery in Japanese consumer confidence emerged yesterday with a 3.2 per cent year-on-year rise in household spending in February, the second monthly increase in a row.

China M2 up 28.4% in quarter

China's broad M2 money supply grew steadily in the first quarter as banks eased credit, prompting economists to warn of renewed inflationary pressure next year.

Japan shoppers start complaining

Japan's timid consumers have shed some of their bashfulness and come forward in record numbers to complain about defective goods, but it is still extraordinarily hard to get compensation.

South Korea unveils warship plan

South Korea's Defence Ministry yesterday said it planned to build the first in a new class of 4,000-tonne destroyers under its "KDX-II" project.

Economists hopeful on Australia

Private sector economists have raised their expectations for Australian growth after the country's recent election, according to Consensus Economics, which monitors forecasts from leading banks and other financial institutions.

Manila to double infrastructure spending

By Edward Luce in Manila

The Philippine government is to double spending on infrastructure next year but cut funding for the social sector, to keep the budget in surplus for the fourth consecutive year, it said yesterday.

By scaling back expenditure on traditional poverty alleviation schemes and other social projects, the government would make room for higher spending on infrastructure and send an unmistakably anti-populist message to the electorate, officials stated.

The draft budget, which increases spending by 11 per cent to 476bn pesos (\$18.2bn) next year assuming gross national product growth of 7 per cent, would almost double spending on infrastructure to 76bn pesos.

Infrastructure bottlenecks, notably in transport and water, are considered to be constraints on the country's structural growth potential. Last year Philippine GNP grew by 5.7 per cent.

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year rated the Philippines at one notch below investment grade, but are scheduled to review the ratings over the next two months.

US set to press China on N-trade

By Nancy Dunne in Washington

The US administration will this week thrust out its next moves in pushing China for greater protection of intellectual property rights and curbs on nuclear technology trade.

President Bill Clinton's "deputy's group", including the number two officials in the departments of state, treasury, commerce and the US trade representative's office, will convene after two recent meetings with China failed to produce results.

Last week's talks between Mr Warren Christopher, US secretary of state, and China's foreign minister, Mr Qian Qichen, failed to resolve US concerns about alleged sales of nuclear technology to Pakistan.

Separate talks in Beijing between Ms Charlene Barshefsky, acting US trade representative, and Chinese officials on intellectual property rights produced "mixed results", a senior US official said.

US officials have said the president will renew China's Most Favoured Nation Trade status, thus removing the threat of a cut-off from the US market. But Congress will seek action on intellectual property rights and non-proliferation.

India pundits bullish on post-poll outlook

Strong growth is expected, writes Mark Nicholson

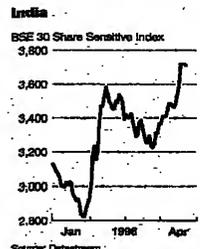
Indian financiers and foreign investors say they are bullish about the country's economic and investment prospects after elections which begin next weekend, even if India's least predictable poll in years returns a hung parliament and weak government.

Most predict that a strongly buoyant stock market will see bigger inflows of foreign portfolio investment than ever, that corporate profits and industrial growth will continue at healthy levels, and - barring the unlikely election of a majority leftist government - important structural reforms will continue, albeit piecemeal and slowly.

"You will not see the pace of reforms you saw after the last elections," says Mr Ashwini Agarwal, chief analyst with SSKI, a Bombay securities firm, alluding to the rush of liberalisation in the first 100 days of Mr P.V. Narasimha Rao's Congress government, elected in 1991.

Seasoned Indian pundits are only guessing the next parliament's political shape, with neither Congress, the right-wing Bharatiya Janata party nor the loose National Front-Lite Front political alliance likely to form a majority alone.

Foreign portfolio investors are already anticipating relatively good news. The Bombay market rose more than 200 points last week to close above 3,700 points, pushed by large inflows from foreign, mostly US, institutions anticipating a post-poll rally.



Foreign institutional investors expect inflows to reach \$4bn over this calendar year. Foreign investors have already accounted for 40 per cent of all settled deals on the Bombay market since January.

Institutional investors say the Indian market, trading at a price-earnings ratio of 12 times this year's earnings, is cheap by Asian standards, that traditionally slow and awkward settlement procedures have "drained institutional investors' expectations".

Almost \$1bn of foreign funds has flowed into India since January, nearly the total of 1995.

Foreign portfolio investors are already anticipating relatively good news. The Bombay market rose more than 200 points last week to close above 3,700 points, pushed by large inflows from foreign, mostly US, institutions anticipating a post-poll rally.

Taiwan starts early warning for bad loans

By Laura Tyson in Taipei

Taiwan's finance ministry has ordered local ad hoc committees to monitor troubled financial institutions in their districts.

The move is designed to prevent the kind of financial crises that has dogged Taiwan's larger neighbour, Japan. Indeed, Taiwanese are fond of describing their country as a "mini-Japan", many things which happen to Japan sooner or later seem to happen to Taiwan too.

The asset inflation bubble of the late 1980s followed by a painful collapse in share and property markets is just one instance where Taiwan fell into the pattern set by Tokyo.

As in Japan, Taiwan has been plagued by a series of deposit runs on financial institutions starting last summer, sparked by troubles in the property market, rising bad loans and rumours of management fraud.

Bad debts had risen to a historic high of 3.1 per cent of total loans outstanding at the end of last year.

financial institutions have problems with internal controls," said Mr Sean Chen, director of the finance ministry's bureau of monetary affairs.

In response, the government is trying to step up monitoring of financial institutions. Mr Chen said that the finance ministry was co-operating with the state-run Central Deposit Insurance Corporation (CDIC) to set up an "early warning system".

Part of the difficulty in addressing the problem of lax internal controls stems from the fact that responsibility for monitoring and examining financial institutions is spread among several government agencies.

In early April, authorities took steps to streamline regulation of financial institutions. The cabinet ordered the finance ministry and the central bank to put one government agency in charge of examining all financial institutions within six months.

Currently, the central bank is responsible for examining the state-run banks and other older banks while the finance ministry is responsible for the 18 new private banks founded in the early 1980s, trust companies and foreign bank branches.

Funds shortage focuses minds at ADB

The bank's soft loan division may dry up before it is replenished, writes Edward Luce

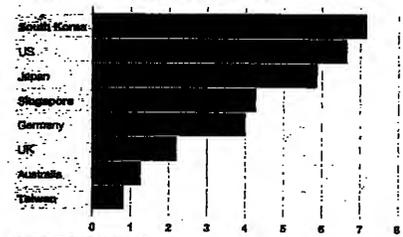
Officials at the Asian Development Bank's sleek Manila headquarters are experiencing the beginnings of what could be described as a collective headache.

Amid preparations for the bank's annual meeting next week, most minds are focusing on the parallel donors' meeting in Manila this Sunday.

For the first time in the ADB's 29-year existence, the multilateral bank's soft loan division - the Asian Development Fund (ADF) - is in danger of running dry before it is replenished.

Asian Development Fund: three under pressure

The main donor beneficiaries



South Korea and Taiwan, however, are seeking specific political rewards for donating substantially more to the ADF in 1996 (they donated just \$15m apiece last time).

The traditional donors say it is time for the "tigers" to put up their money.

"That comma is worth around \$500m."

Short of a miracle of political sub-editing the donors will, therefore, have to make a moral appeal to Taipei, pointing out that it has the second highest foreign exchange reserves in the world after Japan. Taiwan's willingness to donate, they say, will almost certainly depend on how much South Korea pays.

But politicians in Seoul have an axe of their own to grind. South Korea, which is negotiating entry into the OECD, wants the ADF formally to recognise its economic achievements by granting it extra voting rights in the multilateral bank.

One tactic which might change Singapore's mind is to threaten to exclude the island state from ADF procurement contracts altogether.

Excluding Singapore from ADF procurement would also be seen as a big political slap on the wrist.

Denying Singapore the benefits of ADF procurement is one possibility that donors are considering," said Mr Mitsuo Sato, ADB president. "We hope, however, that the situation will not come to that."

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Handwritten Arabic text: سكة من الأصيل

Move to weaken resistance to limited sales for financing debt relief

UK backs formal 'ringfence' for most IMF gold reserves

By Robert Chote, Economics Editor, in Washington

Mr Kenneth Clarke, the UK chancellor, yesterday backed the idea of formally "ringfencing" most of the International Monetary Fund's gold reserves in order to weaken resistance to proposals for limited sales of gold to finance debt relief for poor countries.

Mr Clarke was responding to a proposal by Mr Philippe Maystadt, the Belgian finance minister, to amend the IMF's articles of agreement by inserting a strict limit on gold sales. Mr Maystadt hopes this will allay the fears of countries like Germany that using limited

gold sales to pay for the extension of the IMF's soft-loan facility for poor countries might set an undesirable precedent.

"If I understood it correctly as a way to reduce the resistance to gold sales then of course I would support it," Mr Clarke said.

Senior UK Treasury officials noted that there were less dramatic ways to ringfence the gold, perhaps through a declaration by the Fund's policy-making "interim" committee that no further sales would be made.

But an amendment to the articles - which would require parliamentary approval in many of the Fund's 181 mem-

ber countries - might provide worried countries with more reassurance because it would be more difficult to reverse.

The issue of gold sales was discussed at yesterday's meeting of the interim committee, which comprises finance ministers and central bank governors from 24 countries.

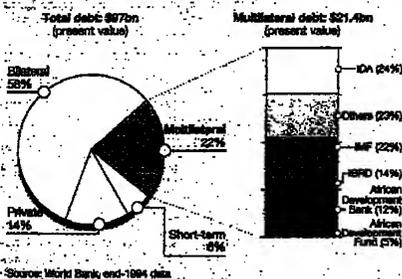
Mr Michel Camdessus, the IMF's managing director, told the committee that 5 per cent of the Fund's gold should be sold and invested to provide half the subsidy needed to put its soft-loan schemes - the extended structural adjustment facility - on to a permanent footing.

of the \$3bn subsidy required between 1999 and 2004 should come from individual government donations.

Extending the Esaf - and probably increasing the period over which its loans could be repaid - would be the Fund's contribution to its joint initiative with the World Bank to relieve debt burdens in eight to 20 of the world's poorest countries.

But a succession of G7 finance ministers told the committee that the Fund and Bank were trying to put too much of the financial burden of the initiative on creditor governments rather than financing it from their own resources.

Heavily indebted poor countries



Source: World Bank, end-1994 data

The interim committee also discussed the world economy and a report by Mr Camdessus on the conduct of member countries' national economic policies over the past year. Mr Maystadt suggested that the "Madrid declaration" - the economic policy statement drawn up by the interim committee at the Fund's annual meeting in 1994 - should be updated in the

autumn, perhaps to place more emphasis on the requirements for sound policies in developing countries. The committee agreed that tackling budget deficits remained a key objective for most members, as did the removal of labour market rigidities and other structural impediments to non-inflationary growth.

INTERNATIONAL NEWS DIGEST

IMF focus on Russia, Mexico

By the end of next year almost half the International Monetary Fund's outstanding lending will be to Russia and Mexico alone, raising fears that the risks in the Fund's portfolio are becoming too concentrated.

The Fund's financial situation was discussed at yesterday's meeting of its key "interim" committee of finance ministers and central bank governors. But some of the Fund's executive directors have already told their ministers that they are worried by the trends in the Fund's finances.

One national director pointed out that the Fund's five largest debtors already accounted for more than 60 per cent of its outstanding credits and that this proportion would rise to 70 per cent by the end of next year. By then Mexico and Russia alone will account for 49 per cent of outstanding credits.

He added that the Fund's liquidity ratio - the extent to which its liquid liabilities are covered by uncommitted usable resources - was also deteriorating. From a peak of nearly 170 per cent in late 1994, the ratio is forecast to decline to 61 per cent by the end of next year - below the long term average of 70 per cent. Use of Fund general resources is meanwhile predicted to grow from around \$39bn at the end of 1994 to \$63bn at the end of 1997.

Robert Chote, Washington

Four confess to Saudi bombing

Four Saudis yesterday confessed on state television to last year's car bombing of a US-run military training centre in Riyadh and said they had been planning further attacks. In confessions broadcast shortly after Prince Nayef, interior minister, announced their arrest, they said they were influenced by Islamic groups outside the kingdom. It was not clear when they were arrested.

The four gave almost identical confessions on their role in the November 13 bombing at the Saudi National Guard training centre, which killed five Americans and two Indians and wounded about 80. It was the worst blast involving Americans in the Middle East since the 1983 Beirut bombing killed 241 US servicemen.

The four said they had fought in Afghanistan and one said he had also fought alongside Bosnian Muslims. They said they had received and been influenced by leaflets from a Saudi national who is alleged to bankroll Muslim hardline groups, as well as Islamic groups in Egypt and Algeria. Prince Nayef's statement said they would be judged according to Islamic law, which applies in the oil-rich kingdom, where the usual penalty for murder is public beheading.

Reuters, Dubai

Aid boost for African nations

The Commonwealth Development Corporation (CDC), the UK government's official development institution, is to concentrate its efforts on poorer countries, particularly those in Africa, it said in its annual report yesterday. The corporation, whose aim is to contribute to economic development by investing in and supporting sound business enterprises, said new investments were up 15 per cent to \$414m, of which 47 per cent was in sub-Saharan Africa.

Lord Cairns, chairman, said spending in the region would continue to rise. "The number of private-sector investors prepared to put money into Africa remains small," but "Africa attracts us because countries have opened up their economies to become market-driven."

Zambia received the biggest share of funds approved in 1995. About \$53.2m was spent there; CDC helped with the flotation of Chilanga Cement on the Lusaka Stock Exchange.

Joel Ebbaco, London

EU finds common Mideast strategy

By Caroline Southey, in Luxembourg

EU foreign ministers yesterday placed together a common strategy on the conflict in the Middle East, calling for a ceasefire that guaranteed the security of Israel and preserved the sovereignty of Lebanon.

The foreign ministers set aside doubts about France's go-it-alone strategy in the region as well as fears that the US was dominating the terms of a ceasefire between the warring factions. While agreeing to pursue the EU's diplomatic efforts, the ministers welcomed the role played by France as well as the US in brokering an end to the conflict.

The US and France were accused this weekend of delaying a ceasefire agreement between Israel and Lebanon because both have pursued independent diplomatic initiatives. While Israel has backed the ceasefire mission of Mr Warren Christopher, the US secretary of state, the proposals of Mr Hervé de Charette, the French foreign minister, have been endorsed by Lebanon, Syria, Iran and Hizbollah.

The EU foreign ministers avoided specifically backing either of these proposals, calling instead for a deal that was durable and did not affect the global settlement as laid out in the peace process.

"We back all who are trying to reach an agreement. The EU has not presented a plan of its own but is ready to back either of the two plans," Mrs Susanna Agnelli, the Italian foreign minister, said. Italy currently holds the EU presidency.

A number of countries, including Germany, Britain and Italy, admitted that the US was best placed to broker a peace deal. Mr Klaus Kinkel, the German foreign minister, said the US had a "bigger chance of success".

Mr Malcolm Rifkind, the British foreign secretary, said he thought the EU "should allow those who have the best prospects of acting as mediators, which at the moment is the US, to get on with the job". He did not wish to criticise any country's contribution to efforts to secure peace, but the process should have been "properly co-ordinated from the outset".

Israelis' pinpoint shelling creates barrier for refugees

By David Gardner in Sidon

In a high-speed car, it takes 64 seconds to cross the strip of coast road spanning the Awali river just north of Sidon. For lorries, it takes longer. Which was seemingly why the two Israeli warships lying offshore were firing salvos of shells on to the road at intervals of about a minute and a half - and then varying the timing to disabuse those running the gauntlet from thinking they could read the pattern.

The shelling of the Awali river crossing, the artery linking north and south Lebanon, was yesterday in its fifth day. It started last Thursday just after Israeli howitzers tore to shreds the UN refugee shelter at Qana, killing more than 100 people, mostly women and children. It has cut Lebanon in half, creating acute shortages of food and medicine in the South, where Israel's unrelenting air and land bombardment continues to empty shattered Shia villages.

Relief workers in Sidon say last Thursday's massacres at Qana and Nabatiyah triggered a new wave of refugees northwards, and that Sunday's Israeli bombing around Zahrani - the junction south of Sidon linking Tyre and Nabatiyah, where Israeli bombers destroyed Lebanon's main refinery in 1978 - set off yet another wave. But unlike most of the 400,000 refugees who poured northwards when Israel began its onslaught on April 11, those now in flight cannot get beyond the Awali river, and relief convoys are being prevented from getting to them by the naval bombardment. The Lebanese army is building a pontoon bridge across the river further upstream. But Israel has blockaded the ports of Sidon and Tyre and, for the moment, there is no other heavy transport link but the Awali crossing. Hizbollah, the Shia militia fighting Israel's 18-year occupation of south Lebanon, by contrast, does not need the coastal highway. It shifts its supplies - including the obsolete Katyusha rockets it is firing into northern Israel - through the Syrian-controlled Bekaa valley to the east.

North of the crossing, a convoy of Lebanese army trucks carrying blankets and foam mattresses, milk powder and corned beef, was stuck. After more than an hour, the lorries made it one by one, with only one jeep written off, crashing because of the dangerous speed on the pocked road.

The shelling is not conventionally indiscriminate. Clearly marked Lebanese army and UN vehicles are fired on, and the shelling does not stop when Red Cross/Red Crescent lorries pass. The Israeli navy, however, using low calibre shells, is very accurate, hitting the beach-side lip of the road, then the other side, and every so often landing a few in the middle. The psychological effect is impressive. By mid-afternoon, the Israelis were doing the same to the coastal road further north, just south of Beirut airport.

In Sidon itself, refugees are still streaming in. Behind the town hall, 77 of the Qana massacre victims lie in refrigerated trucks, awaiting burial. In front of the town hall is the roundabout with the rusting

trellis frame from which Israeli collaborators were hanged in 1985, when, under Shia militia attrition, Israel pulled back its invasion forces to the "security zone" it still occupies in the South.

Inside the town hall, volunteers have handled about 30,000 refugees in 47 centres. The lady in charge has the serenity of a mother superior, but she does not want to be identified because she is from Jezinne, inside the Israeli-occupied zone where she still has family. Despite army and relief efforts, she says, needs for outstrip supplies. "They try, but the [Lebanese] government doesn't have the means to cope. We waited all day yesterday for medicine from Beirut. And blood supplies which never got through."

"The international conscience, the American conscience, sees out of one eye. All they see are the Katyushas," the lady in charge says. "We are looking for justice for the Lebanese. This won't stop until the Americans accept that we, and the Palestinians, have the same rights as the Israelis."



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Prospective accord by Caracas with fund opens way for multilateral aid package worth more than \$3bn

Venezuela and IMF agree loan in principle

By Raymond Collitt in Caracas

Venezuela has reached an agreement in principle with the International Monetary Fund for a \$1.4bn, 12-month, stand-by loan. Mr Michel Camdessus, IMF managing director, said in Washington yesterday that a basic agreement had been reached with Venezuela "on all the main policies of an economic programme".

The accord comes after eight months of intermittent talks and paves the way for a further loan package from the World Bank and the Inter-American Development Bank. Mr Camdessus said multilateral aid to Venezuela would top \$3bn.

Venezuela has already signed a memorandum of understanding with the IADB over a \$1bn loan package. The World Bank is to extend \$900m

in loans, half of which would come from existing but undisbursed credits, to finance social sector programmes as well as a reform of the troubled financial sector.

Minor technical details would have to be worked out but "this would not take much time", Mr Camdessus added.

Mr Luis Raul Matos Azócar, Venezuela's finance minister, and Mr Antonio Cass, central bank governor, met IMF officials including the managing director over recent days to remove the remaining stumbling blocks to an accord.

Their trip to Washington followed President Rafael Caldera's announcement last week of an economic stabilisation programme introducing market-oriented reform and intended to reduce the country's budget deficit from 6.1 to 2 per cent of GDP. As part of



Caldera: Reforms are being reluctantly accepted. Photo: Financial Times

the programme, interest rates were liberalised and petrol prices increased nearly six-fold.

The government also floated the bolivar, the national currency, yesterday, after nearly two years of tight foreign exchange controls, and elimi-

nated all restrictions on foreign currency availability. The foreign exchange board was abolished.

Within hours of being floated, the bolivar depreciated to around 500 to the dollar. The rate had been fixed at 290 since last December. "Demand is exceeding supply because few are willing to sell their dollars before they know more or less what the market rate will be," said one trader.

Central Bank authorities admitted that pent-up demand for foreign currency would cause a decline in monetary reserves, but they did not expect massive capital flight. The central bank's international monetary reserves are at about \$10bn.

The Caracas stock exchange rallied yesterday on news of the IMF accord. The Merivest composite index closed at 1932, up by 3.4 per cent from Friday's close.

According to Mr Boris Molina of the Merivest brokerage, the market would "stabilise somewhat until it becomes clearer how foreign investors will react".

Under the new foreign exchange regime, commercial banks may not charge a commission or handling fee, and set only a \$1.25 spread per dollar between the buy and sell rate.

The central government and the state oil company PDVSA, with all its subsidiaries, are required to continue selling foreign currency to the central bank. All other public entities are free to sell foreign currency in the open market.

Mr Caldera had been hesitant to implement belt-tightening measures out of fear of popular unrest.

Yet, unlike the drastic petrol price increases in 1989, which led to rioting that left hundreds of people dead, last week's measures appear to have been accepted, albeit reluctantly, by the majority of Venezuelans.

AMERICAN NEWS DIGEST

Protest over harassment suit

Mitsubishi Motors sent employees yesterday to demonstrate against a federal agency that had filed a complaint alleging widespread sexual harassment at its US plant.

About 60 buses full of Mitsubishi employees left Normal, Illinois, in the morning to take part in the protest at the office of the US Equal Employment Opportunity Commission in Chicago, said Mr Glenn Rosecrans, a fire and security specialist for Mitsubishi. The company cancelled its two regular assembly-line shifts yesterday to let workers participate, while being paid for a day's work, he said.

The United Auto Workers union issued a statement at the weekend attacking the prospect of a company-sponsored demonstration. The union represents workers at the plant.

The commission filed a class-action suit against the company two weeks ago, after investigating complaints to it by 29 women who had filed their own lawsuit. The commission said management had turned a blind eye to "gross and shocking sexual discrimination". AP, Chicago

Canada N-plant closure

Ontario Hydro's Pickering nuclear generating station near Toronto will be shut for about 10 days because of a flaw in a safety system. The Canadian plant has eight reactors and accounts for 20 per cent of the utility's generating capacity of about 30,000MW. The utility ruled out power shortages because spring demand is normally low and said some of the reactors could be ready for reactivation by Thursday. The flaw was found during routine inspection.

About 16 months ago, a broken pipe caused an emergency shutdown of part of Pickering. Eight months later, Canada's Atomic Energy Control Board ordered Hydro to improve safety. Last week, radio-active heavy water leaked into Lake Ontario and was reported by the Pickering plant. Robert Gibbens, Montreal

US reactor damages in view

The US Supreme Court refused yesterday to rule out punitive damages awards for more than 2,000 people who contend they were hurt by the nuclear accident at the Three Mile Island reactor in 1979.

The court, without comment, rejected an appeal by corporations that owned, operated and supplied materials or services to the Pennsylvania plant, site of the worst US commercial nuclear accident. The appellants had argued that a 1989 federal law precludes any award of punitive damages, rather than compensatory damages.

In the accident, a combination of mechanical and human failures let the reactor core lose cooling water and partially melt. Some radioactive gases were released. It took nearly \$1bn and more than a decade to remove the damaged nuclear fuel. AP, Washington

Cuba criticised on rights

A US congressman said yesterday that the Cuban government was engaged in the most sweeping campaign of political and religious oppression on the island in recent years.

Congressman Robert Menéndez, a New Jersey Democrat, said an offensive against political dissenters and religious believers had been stepped up last year, before tensions with the US rose after Cuba had shot down two small aircraft flown by Miami-based exiles in February.

Mr Menéndez, on the US delegation to the UN Human Rights Commission now ending its annual session, is to table a resolution today condemning Cuba's record. Reuters, Geneva

Republicans in a poor state

Jurek Martin finds a forgotten US primary and a thriving president



Unwanted and almost unnoticed, an important US state, Pennsylvania, is to hold a presidential primary election today, the insignificance of which is prompting some second thoughts inside the Republican party about the order in which states vote for potential nominees.

November 5 Pennsylvania, unlike several other large states, did not move its primary forward this year so as to exert greater influence over the selection of a presidential candidate.

What interest there was in the Republican contest evaporated when Mr Pat Buchanan, the only nominal remaining challenger to Senator Bob Dole, the Senate majority leader, decided not to campaign in Pennsylvania.

Of concern to some inside the Republican National Committee is that this year's compressed primary season failed to get around the old problem of small states, in effect, deciding the party's nomination.

Mr Dole virtually secured the prize in South Carolina on March 2, in only the sixth contested primary or caucus, after Iowa, New Hampshire, the two Dakotas and Arizona had voted.

Subsequent elections in March - in the three biggest states, California, Texas and New York, as well as on the so-called junior and super Tuesdays - were little more than exclamation points, all won by the majority leader.

The Republicans have now formed a task force to contemplate reform for 2000, the next US presidential election year. At a meeting last week, no guarantees were given that even the traditional campaign openers - the Iowa caucuses and the New Hampshire primary - would be preserved.

Mr Dole may be somewhat relieved that so little attention is being paid to Pennsylvania, one of the industrial belt states which he needs at least to share with President Bill Clinton in November in order to oust him from the White House.

Only last week, the majority leader, characteristically speaking of himself in the third person, declared: "Pennsylvania will be a battleground in November and, if Bob Dole carries Pennsylvania, Bob Dole will be the president of the United States come January."

But a state poll this month has given Mr Clinton a strong 51.34 per cent lead, typical of his current advantage in several of the big, pivotal states. In 1992, Mr Clinton carried Pennsylvania by 45.36 per cent over

President George Bush, with Mr Ross Perot taking 18 per cent as an independent. However, Republicans have subsequently won five of the last six elections for state-wide office there.

Other recent state polls that might disturb Mr Dole include those in New York, where Mr Clinton is 13 points ahead in a two-way race and 16 ahead when Mr Perot is added, and in California, where the president's lead has been about 20 points for months.

Even some increasingly Republican states look marginal at the moment. A poll in Virginia, which was carried by President George Bush four years ago, had Mr Dole ahead by only 45-43 per cent, while his lead in Arizona, last won by a Democrat in 1948, was also a mere two points at 41-39 per cent. In Iowa, Mr Clinton leads by a remarkable 53-36 per cent, perhaps reflecting the battering Mr Dole took in the February caucuses which he barely won.

It is these state poll numbers, as much as Mr Dole's current problems in trying to control Congress, that have the White House in an optimistic mood. There had been nervousness that enough of the 31 states carried by Mr Clinton in 1992 were now vulnerable, thus raising the prospect that Mr Dole could assemble a majority in the electoral college come November.

But the hard evidence of the moment points in the other direction.

The extra-territorial reach of US law poses a growing threat to non-US companies doing business, even indirectly, with that country, an expert on money laundering said yesterday.

Mr Rowan Bosworth-Davies, senior consultant at London solicitors Titmuss Saines Dechert, told a conference in Lisbon that US courts had been "consistent in concluding that US law enforcement interests outweigh a foreign nation's interests in preserving the confidentiality of its banking or its business records".

Failure to comply with subpoenas for evidence resulted in "substantial monetary penalties" and contempt of court citations on US affiliates of foreign companies. "The growing frequency of such demands proves that any company which does business in the US must be prepared to deal with such a likelihood," he said.

As a company often had to prove to a US court that it had not been "willfully blind" to its client's alleged crimes, the need to "know your client" had been taken to a new height.

The due diligence required was "truly awesome," Mr Bosworth-Davies said. "Any new proposed business client who is a US citizen, who proposes to do business on US

Long arm of US law threatens business

By Clay Harris

exchanges, buy US property, transfer money from a US institution, pass money through a US institution or return money to a US institution must become subject to a level of investigation not hitherto contemplated."

A former legal adviser to the UK intelligence agencies MI5 and MI6, meanwhile, told the conference that organised criminals should be declared "illegal international organisations" (IIOs) and made subject to administrative sanctions similar to those applying to "rogue states".

Mr David Eickford, deputy chairman of Strategy International UK, said organised criminals planned their crimes to take advantage of different national legal systems and mutual legal assistance treaties.

A solution, he said, was to treat them as organisations, not individuals. Once they were identified as IIOs, assets would be subject to seizure and forfeiture.

The system would require strict oversight and a forum to determine complaints and claims. Revenue provided by forfeited assets could be applied to the cost of investigation and to the parties which lost revenue as a result.

The conference, by International Conference Group, continues today.



ÁPV RT.
HUNGARIAN PRIVATISATION
AND STATE HOLDING COMPANY

TENDER ANNOUNCEMENT

The Hungarian Privatisation and State Holding Company (H-1133 Budapest, Újpesti rakpart 31-33.) and Budapest Film Rt., (H-1054 Budapest, Báthory u. 10.) [hereinafter to be referred to collectively as the Announcers] invite an open single-round tender for the sale of Hotel Royal and related units of real estate owned by the state and the Apolló Mozi (Apollo Cinema) owned by Budapest Film Rt.

The following units of real estate are subject to this tender:

Description	Address	Area
a. Hotel Royal	Erzsébet krt. 43-49, Budapest, District VII.	5809 sq. m 24,781 sq. m
b. Apolló Mozi	Erzsébet krt. 43, Budapest, District VII.	758 sq. m 2675 sq. m
c. Boiler house, Hotel Royal (undeveloped plot)	Hársfa u. 54, Budapest, District VII.	865 sq. m 220 sq. m
d. Parking lot, Hotel Royal, (undeveloped plot)	Hársfa u. 53, Budapest, District VII.	1296 sq. m
e. Parking lot, Hotel Royal, (undeveloped plot)	Hársfa u. 55, Budapest, District VII.	1342 sq. m
f. Maintenance and repair unit, Hotel Royal (area for expansion)	Hársfa u. 46, Budapest, District VII.	433 sq. m 430 sq. m

Bids may be submitted for the above elements of real property together. The purchase price can be paid in cash only.

Bids shall be submitted in closed envelopes to the address given, bearing no logo whatsoever, in five copies in Hungarian, marking the original copy of the bids. Foreign bidders may also submit their bids in English or German in addition to the Hungarian version but the Hungarian version of the bid shall be deemed governing.

Bids shall be submitted during the period available for bid submission in the presence of a notary public, either in person or through a proxy. The following text should be indicated on the envelope:

„Tender for Hotel Royal-Apolló Mozi”.

Bidder must mark the original copy of the bid as „ORIGINAL”. If bidder fails to do so, the Announcers shall choose one of the copies received which shall be deemed as original thereafter. Should there be any difference among the content of the copies received, the substance of the bid thus chosen shall be deemed governing.

Deadline for bid submission:

12-14 h, June 27, 1996.

Venue of bid submission:

The official premises of the Hungarian Privatisation and State Holding Company
H-1133 Budapest, Újpesti rakpart 31-33.
Room 804, floor VIII.

The tender price of the real property offered for purchase is HUF 1,000,000,000 (one billion forints) and VAT shall be payable on the building accommodating the cinema, which is HUF 20,000,000 (twenty million forints), plus 2.5 per cent of the difference between the offer and the tender price. Bidders shall attach a bank guarantee, covered certificate issued by a bank, or a certificate concerning the commitment of a loan, up to the tender price which is to be attached to the bid, to be valid for at least 120 (one hundred and twenty) days from the date of bid submission. Bids must describe proposed ideas concerning the utilization of the real property; continuation of the current function shall be given priority during bid evaluation.

Bidders must pay HUF 40 million (forty million forints) or an equivalent amount in foreign exchange by the bid submission deadline to confirm their earnestness with respect to their participation in the tender to the account opened by ÁPV Rt., at the Hungarian Foreign Trade Bank to receive bid performance guarantees. Bidders may submit a first class bank guarantee to cover their bid performance guarantee, the validity of the bank guarantee should cover 120 (one hundred and twenty) days from the date of bid submission.

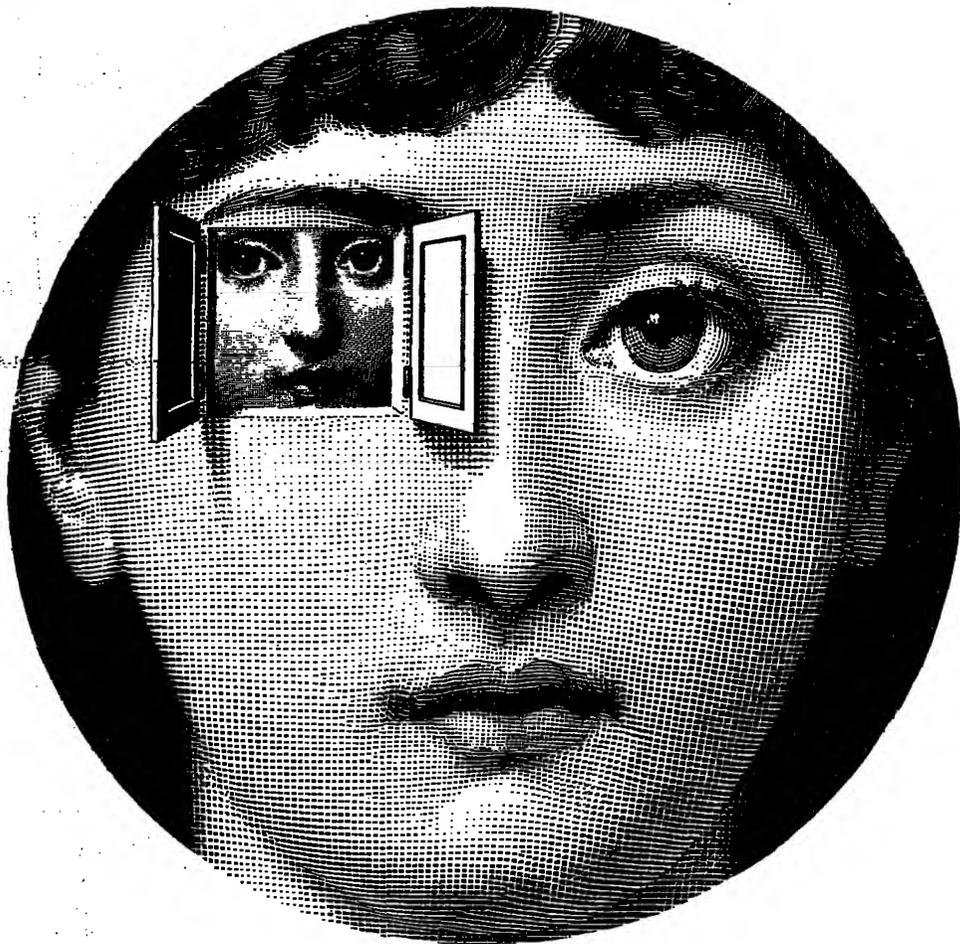
A precondition to bid validity is that bids shall be maintained as valid for a period of 120 (one hundred and twenty) days from the date of bid submission.

Following bid evaluation, the final decision shall be made by the Announcers. Announcers retain the right to declare the bid invalid. A precondition for participation in the tender is the purchase of the tender documents which includes the detailed terms and conditions of the Invitation to Tender as well as basic facts and figures concerning the real property, which constitute an inseparable part of these tender announcement. The tender announcement can be purchased for HUF 25,000 (twenty-five thousand forints) + VAT upon the execution of a statement of confidentiality at the PR Desk of ÁPV Rt. (H-1133 Budapest, Újpesti rakpart 31-33., ground floor.)

Information with respect to the tender and the units of real property can be obtained after the announcement of the tender from István Sillay at the following telephone and fax numbers: (36-1) 269-8600/1252 and (36-1) 270-4417 respectively, between 9 - 16 h on workdays.

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Money supply grows strongly

By Graham Bowley, Economics Staff

Fears that robust monetary growth may be stoking inflationary pressures were exacerbated yesterday when figures showed that Britain's money supply grew strongly again last month.

The Bank of England, the UK central bank, said that M4, the broad measure of the money supply, grew a seasonally adjusted 10.1 per cent in the year to March, the fifth successive month that growth has exceeded the government's monitoring range of between 3 and 9 per cent. Between February and March, it grew 1.2 per cent, more than double

February's growth rate. The figures surprised the City which had expected a significantly more modest increase. But economists blamed special factors such as the new gilt repo market for the rise. Borrowing of around \$1.5bn by Granada Group, the home entertainment and hotels company, linked to its takeover of Forté, the UK's largest hotels group, also distorted the figures.

Lending by banks and building societies grew a seasonally adjusted 25.9bn last month, slightly below City expectations. The 12-month growth rate fell to 9.3 per cent from 9.8 per cent in February.

Separate figures yesterday

from the British Bankers' Association showed that total sterling lending by the major British banks - about 70 per cent of all sterling lending - rose a seasonally adjusted 24.4bn (\$3.7bn) between February and March, the largest monthly rise since the series began in 1981.

Mr Tim Swinney, RBA director general, said this was due in part to strong demand for loans from companies within the financial sector. But there was also continued borrowing growth by manufacturing companies, which borrowed about £265m last month, the biggest rise in borrowing for a year.

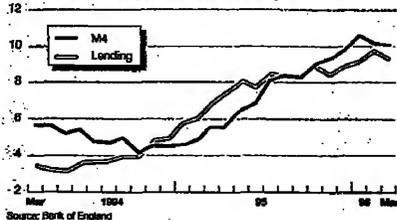
However, economists said the pick-up in borrowing by

manufacturers which began last autumn coincided with a downturn in industry and may be due to "distressed" borrowing by companies as their sales have slipped and stocks have built up. The chancellor of the exchequer and the governor of the Bank of England have both expressed concern about the strong money supply growth and bank lending at recent monetary meetings.

March's M4 figure represents a slight slowdown from the revised annual growth rate of 10.2 per cent in February and the peak of 10.6 per cent in January. But economists said it would still add to the authorities' worries that pressures may be building that could

Money pressure builds

Growth rates, seasonally adjusted (annual % change)



Source: Bank of England

lead to a resurgence in inflation and higher interest rates.

Figures last week showed a sharp drop in unemployment coinciding with a pick up in earnings growth, triggering concern that wage pressures may also be building.

Mr Martin Brookes, an economist at Goldman Sachs, the US investment bank, said concern about inflation beyond the first half of next year meant that the bank no longer expected another cut in interest rates in coming months.

Lang pressed to block power company bids

By Robert Peston, Political Editor

The government is facing intense political pressure to overturn the Monopolies Commission's recommendation that the bids by PowerGen and National Power for regional electricity companies should not be blocked.

Mr Norman Lamont, former chancellor, yesterday made a trenchant attack on the commission in a letter to Mr Ian Lang, the trade and industry secretary.

Mr Lang is expected to announce whether the bids can proceed this week, according to senior members of the government.

If the government allows the takeovers to proceed, as widely expected, it will face attacks from members of its own party and the opposition.

Labour may organise a vote on the question, if Mr Lang approves the commission's view. Mr Lamont and other Tory proponents of competition would find it difficult to vote with the government in those circumstances, raising the prospect of a government defeat for the first time since

its majority dropped to one a fortnight ago.

Blocking the bids would also raise political complications however. It would increase the chances of National Power falling to a bid from Southern Company, the US utility which last week revealed it wanted to buy the generator if National Electric, the UK distributor. It would also leave Southern Electric and PowerGen's target, Midlands Electricity, open to foreign bids.

In addition, the government might be forced to block the proposed sales of plant by National Power and PowerGen to Hanson's Eastern subsidiary. The disposals, which were forced on the generators by the industry regulator, will turn Eastern into a vertically integrated electricity group with up to 14 per cent of the generation market compared with PowerGen's 17 per cent.

In his letter to Mr Lang, Mr Lamont said that allowing the bids to proceed would "overturn established government policy towards the electricity industry".

Southern to decide, Page 17

Global ban on landmines backed

By Bernard Gray, Defence Correspondent

Britain is to back calls for a worldwide ban on anti-personnel mines, as a UN conference on inhumane weapons reconvenes in Geneva, the government will reveal today. The decision is a substantial shift in policy for the UK, which has consistently argued that land mines are a useful and legitimate weapon if used with care.

However, opposition to the use of land mines has been growing rapidly, and 35,000 civilians are killed or maimed every year around the world as a result of indiscriminately sown mine fields.

In a major policy change, Britain is to urge an end to the weapons' use

Bodies such as the International Committee of the Red Cross have been lobbying hard for a ban, and other western countries, including several of the UK's Nato allies, including the Netherlands and Germany, now back an outright ban. The US is also considering dropping the weapons, and the proposal has the personal backing of General John Shalikashvili, the chairman of the US chiefs of staff.

While Britain will now back international efforts to secure

a full ban on anti-personnel mines, and may also take a moral lead by beginning to dispose of its own stocks, the changed policy is unlikely to affect the Geneva conference.

Its aims will be more limited, with efforts concentrated on measures such as improving the identification of mines and ensuring that all legal mines have self-destruction mechanisms which are automatically triggered after a set period.

Western negotiators are pur-

suing these limited objectives because they believe that any agreement on curbing land mines at Geneva must have overwhelming backing. If it does not, it will be flouted by the rogue states which are causing much of the current problem, they argue.

According to Foreign Office officials, gaining a strengthened agreement on inhumane weapons now, which carries widespread international support, would then provide a firm base for future negotiations on an outright ban.

Over 100m land mines are thought to be sown throughout the world. Most of the victims of these mines are civilians.

Action group hits out at 'spoilers'

By Ralph Atkins, Insurance Correspondent

In a letter to his members, Mr Deeny, a member of Lloyd's ruling council, writes that the total out-of-court offer for loss-making and litigating Names, currently worth \$2.8bn, (\$4.25bn) would increase by about £300m.

Mr Michael Deeny, chairman of the influential Gooda Walker action group, said recent negotiations had resulted in "an offer that

would represent a total for the action group that would substantially exceed the amounts that we can be confident of receiving from continued litigation".

Gooda Walker members are among the worst hit Names - individuals whose assets have traditionally supported Lloyd's.

In a letter to his members, Mr Deeny, a member of Lloyd's ruling council, writes that the total out-of-court offer for loss-making and litigating Names, currently worth \$2.8bn, (\$4.25bn) would increase by about £300m.

being weakened, succeeded in having the proposed adjournment rejected. Mr Deeny says some opposing the adjournment were members of the Gooda Walker action group.

He writes: "They bear an extremely grave responsibility for putting at risk a package of proposals of great value to our membership". If the Names won the case, Lloyd's might make a similar offer to that already negotiated, Mr Deeny writes. If Names lost, however, Lloyd's would not have the same incentive to improve the offer.

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Receiver: Dr. Luisa PRIMATESTA

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- registration marks I-TEAE US\$ 17,445,000;
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as well as a certain amount of accessories and spare parts estimated at US\$ 200,000. VAT, if due, is not included in the above prices. Each aircraft shall be sold "as is", i.e. in the present conditions, and with all the existing rights and burdens. The relevant price shall be paid at the closing. The sale shall be in compliance with the pertinent Italian rules. The irrevocable purchase offers shall be submitted in Italian language and the price shall be quoted in USD for each aircraft and shall not be lower than the official appraisal. Moreover, said purchase offers shall be submitted together with a cash deposit equal to 20% of the appraiser's price, as well as with a credential letter by a primary Bank. The purchase offers must be deposited in a double sealed envelope within the 31st May 1996 with the Clerk of the Milan Court, Bankruptcy Proceeding Section - Bankruptcy Magistrate Dr. Magda Cristiano and addressed as follows:

Tribunale di Milano - Sezione Fallimentare - Cancelleria del Giudice Delegato Dr. Magda Cristiano.

The cash deposit shall be in USD in the current account under the name T.E.A. Italia s.p.a. at the Deutsche Bank Ag. "G" - Milano, starting from the 1st June 1996 and within the 10th June 1996.

Bidders must be domiciled in Italy.

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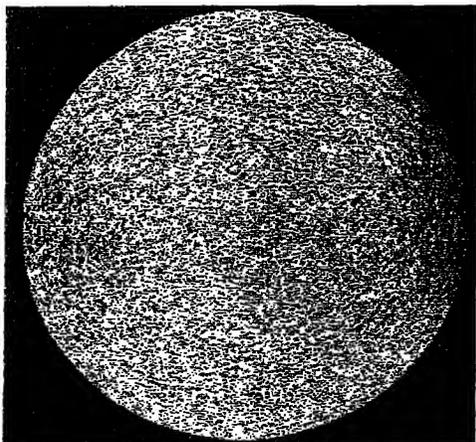
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TECHNOLOGY

A space probe is providing scientists with a wealth of information, says Bruce Dorminey

Secrets of the sun



The sun as taken by one of Soho's instruments during pre-launch testing

The Solar and Heliospheric Observatory (Soho), a \$1bn (£800m) European Space Agency/Nasa probe, has begun sending back data that should give helioseismologists their most profound look at the sun's inner structure and physics.

Formal announcement of receipt of the first data is planned by the two agencies next week, but already scientists involved in the project are enthusiastic about the information they are obtaining.

"We're receiving data of a far higher quality than helioseismologic experiments which we can achieve from the ground," says Alan Gabriel, helioseismologist at the Institute of Spatial Astrophysics in Orsay, France.

The Soho project fulfils a dream for many of the scientists involved, and has been a long time coming. "We've been talking about Soho since 1975, and the science has developed over the years to make Europe think it worth spending all that money," says Douglas Gough, professor of Astronomy and Applied Mathematics at Cambridge University and co-investigator on three of the spacecraft's 12 instruments. "It took seven years to build and test the spacecraft."

The probe has been placed 1m miles from earth at the Lagrangian point, where the sun and earth are in equal gravitational balance. To obtain high-quality data, being outside the earth's atmosphere is a key factor, says Gabriel.

"The random noise from the sun is even lower than expected, which means we get an even bigger gain by being outside the earth's atmosphere."

No specific discoveries can yet be revealed, and while data has been received since about three weeks after the launch in early December, Gabriel stresses that only extensive examination of the information will give good analysis.

Soho will collect data for at least two years, yet has fuel to last 20. Helioseismologists who study the sun's interior are analogous to terrestrial seismologists, yet they must make their extrapolations at a distance of almost 80m miles. This is why they hope Soho will add to their knowledge.

"The sun's surface pulsates, sending acoustic waves like an oboe, a flute or an organ," says Gough. "It's like looking at the waves on the surface of the ocean. There are waves of small scale, large scale and great swells. It's these great swells of burning gas which are the global oscillations."

Gough has been doing theoretical work on global oscillations since the late 1960s, before they were even discovered observationally. Exactly why the oscillations occur is not fully understood, but they are caused in part by gaseous

plasma rotations due to convection in the interior of the sun, not unlike that found in the earth's atmosphere on a hot summer's day. Except that the sun's convection-driven turbulence causes winds approaching the speed of sound.

Of Soho's three primary instru-

ments for measuring oscillations, the most important is Golf (Global Oscillations at Low Frequency) which takes in all the sun's light, without restricting itself to a particular bandwidth.

The sun's surface pulsates, sending acoustic waves like an oboe, a flute or an organ. It's like looking at the waves on the surface of the ocean. There are waves of small scale, large scale and great swells

"Golf's measurement precision is

plasma rotations due to convection in the interior of the sun, not unlike that found in the earth's atmosphere on a hot summer's day. Except that the sun's convection-driven turbulence causes winds approaching the speed of sound.

variety of the oscillations' amplitudes. Golf determines the oscillations' velocity based on visible Doppler (or directional) shifts in the red and blue optical spectrums.

Shifts in the red zone mean the oscillations are moving away from the observer, (as in the "red shift" that is observed in the ever-expanding universe) while changes in the blue zone mean they are moving towards the observer.

Among Soho's other aims is to continue testing Einstein's theory of relativity, basically stating that no matter the location or velocity, the basic laws of physics, including gravity, will continue to apply.

"The theory predicts how the planets orbit around the sun," says Gough, "and the predictions are amazingly good. The measurements are getting more accurate, but now to test between general relativity and competing theories you need to know the precise mass distribution within the sun."

The sun, he explains, is distorted, bulging at the equator like the earth. "You need to know how the sun rotates deeper down to find out how it has been distorted, and the most accurate way of doing that is measuring the rotation directly, which is what will be done by helioseismology."

When helioseismologists carry out their intricate rotational calculations, they often turn to the laboratories responsible for developing the hydrogen bomb - Los Alamos in New Mexico and Lawrence Livermore in California - as these national labs are among the few places in the world with the computer power to crunch the numbers. This has a certain irony, as the sun's centre - where the temperature is 15m°C - is the scene of nuclear fusion. Here, four hydrogen atoms continuously meld to form helium, like one long, never-ending H bomb. Yet unlike a bomb, the sun's massive gravity makes it intrinsically stable.

While its stability will continue for another 5bn years, in its dying phases the sun's luminosity will increase by a factor of 2,000 and cause the earth's oceans to boil.

That still leaves Gough time for his next project, a collaboration on a proposed spacecraft called Stars (Seismic Telescope Astero Seismology). If the European Space Agency funds it, Stars will measure from earth orbit other stars' oscillations and luminosity variations.

"I devoted almost a decade to helioseismology when there were only two or three of us in the world interested in it," says Gough. "But there must be countless numbers of stars like our sun. It's a very ordinary yellow dwarf which means we're studying something that is very typical. And we really want to understand the typical before we tackle the atypical."

Viewpoint • By David Ashford

The self-financing route to space

Current projects are being driven by politics rather than by common sense

The US space programme has reached the extraordinary stage where Dan Goldin, head of Nasa, said recently that "everyone at Nasa and everyone in the American space industry ought to hang their heads in shame".

He was complaining that it still costs \$20m (£13m) to launch a 1 ton communications satellite, despite Nasa's huge spending since the Apollo lunar landing programme more than 30 years ago.

Goldin's fundamental problem is that Nasa policy is driven by politics rather than by engineering and commercial common sense. A simple solution has been understood for more than 30 years. It would enable Nasa to slash the cost of access to space at least five years sooner than on present plans, and would enable its budget for space stations and reusable launch vehicles to be reduced by at least 80 per cent.

This solution is to use existing technology to develop an aircraft that can fly to and from orbit, ie a spaceplane, to replace present throw-away launchers, and operate a small multipurpose space station. These are what the markets actually want, in contrast to the expensive white elephants at present planned by Nasa.

To use existing engines and proven materials, the first spaceplane must have two stages - a carrier aircraft and an upper stage. The carrier takes the upper stage to considerable height and speed before releasing it to carry on to orbit. A single-stage vehicle would require a lengthy research programme to develop advanced engines and structures.

The first spaceplane should also be piloted, because its largest

markets involve carrying people to orbit. Nasa currently plans to spend about \$1bn developing the X-33 technology demonstrator for a single stage, unpiloted, spaceplane. The X-33 itself will not be able to reach orbit.

Nasa also planned the X-34 small reusable lower stage, which would have been a useful stepping stone to a two-stage vehicle, but that has just been cancelled.

A prototype two-stage spaceplane would cost about as much to develop as the present X-33 and the late X-34 together. However, unlike those projects, it would be able to reach orbit. It could therefore be used for launching satellites and ferrying space station crews early in its flight test programme, thereby becoming self-financing and saving the cost of developing the operational version of the X-33.

The development cost of this two-stage spaceplane would be recovered by saving just three Shuttle flights at around \$500m each.

Nasa also plans to spend some \$40m on the large International Space Station. Four small space stations, one each for astronomy, atmospheric science, Earth observation, and microgravity research, would offer better science than this single large one, because the various disciplines have different best orbits. The cost would be far less because the space stations could be launched as single modules and would not need to be assembled in orbit.

Four Shuttle flights would be needed to put the four space stations into orbit, rather than the 28 envisaged for the large station. Having launched them, the piloted two-stage spaceplane would be the ideal resupply vehicle, with a cost per flight when mature about 0.1 per cent that of the Shuttle with its large expendable or recyclable components.

Such low costs, equivalent to about \$10,000 per person to orbit, will open up large new commercial space markets. These low costs will require rocket motors, heat shields, hydrogen tanks, windows, etc with airliner standards of long life and low maintenance costs.

Such airliner maturity would take several years of in-service experience and product improvement, and would be achieved sooner with a two-stage design, which requires far less advanced technology.

Goldin could also spare a tear for Europe. It so happens that the only fully reusable spaceplane at present on offer that uses existing engines and conventional aircraft materials for the structure is my company's Spacecab project, based on designs prevalent in the 1960s. They were considered feasible at the time but were not developed because by then Nasa, preoccupied with its part in the Cold War, had locked into a ballistic missile mind-set.

In 1983, eight years after the Spacecab design was first published, my company obtained a feasibility study contract from the European Space Agency. Ian Taylor, UK minister of space, subsequently commissioned an independent review of this work that "has not identified any fundamental flaws in Mr Ashford's concept".

The feasibility study showed that Spacecab would cost about the same to develop as ESA's present design for a crew transfer vehicle, but would cost at least 100 times less per flight because it is, in effect, an aircraft rather than a manned capsule launched by a throw-away vehicle based on ballistic missile technology.

ESA paid for the report that tells it this, never questioned the conclusions, and is persisting with the Crew Transfer Vehicle.

As far as the UK is concerned, if you apply to the Department of Trade and Industry for a support grant for preliminary work on spaceplanes, you are told that it is government policy for such work to be sponsored by ESA.

Goldin is obviously quite right to call for a fundamental rethink. Other companies may well come up with better concepts than mine for the way ahead. So why does not Goldin simply ask industry for its best ideas, aimed at large-scale commercial space soon?

The author is director of Bristol Spaceplanes.

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صكيات الاموال

ARTS

I had mixed feelings when I heard that the New Contemporaries series was to be revived. Would it inherit from its grand father, the Young Contemporaries, something of the inclusive liveliness and whiff of danger that so enlivened the 1960s and '70s? Contemporary carried with it then a real sense of a sideways look and the recognition of one's peers. And if it remained the creature of the major London schools, so what. Its student committee looked inwards to its own rather than to what was expected of it by the great art world outside.

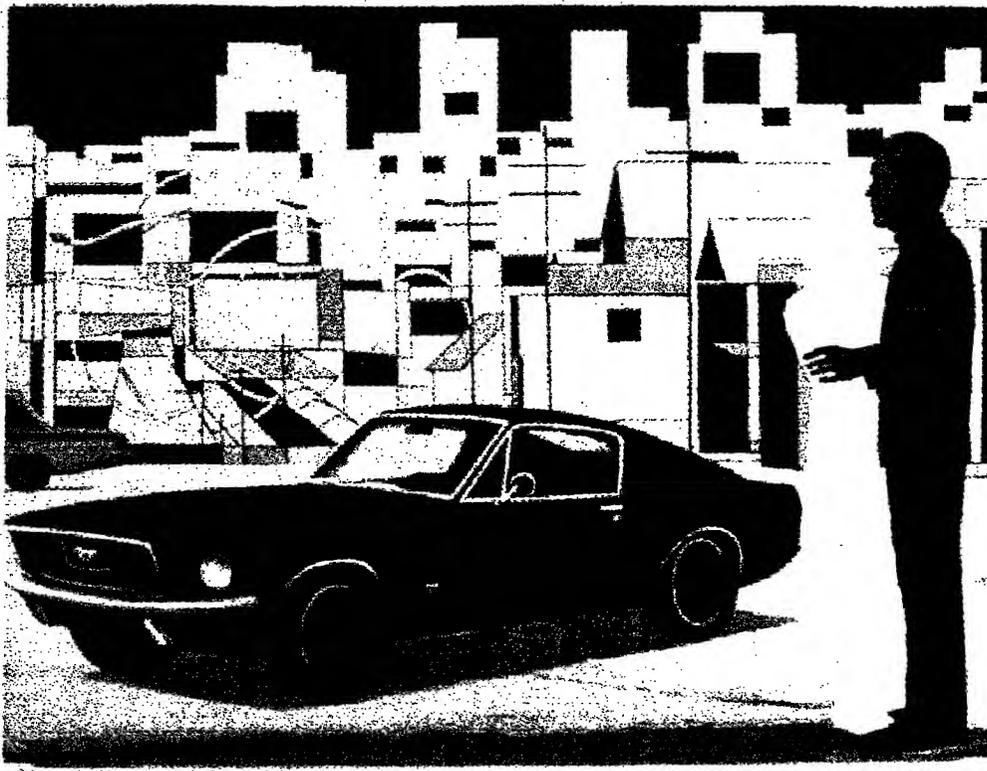
Or would it be like the New Contemporaries, that was born of the Young when factional infighting and the agencies of organisation and finance became too much? The selection then passed from the students to their well-meaning elders, and what was lost in surprise, and what sheer variety was made up in terms of reliability and orthodox, academic modernism. There is a world of difference between a fellow arm round the shoulder and a pat on the back.

We need not have worried. *New Contemporaries 96* is the well-behaved child of its conventional parent, albeit still essentially a cockney. Of the 33 artists represented, seven studied at Chelsea, nine at Goldsmiths, only four have not studied in London. The entry was about 1600, which makes the odds against selection a little under 50:1.

So what has the pick of its generation done to warrant preference? Well, there is quite a lot of video and photography, some painting, both abstract and figurative, and a little sculpture, if a goldfish in a glass milk-case counts as sculpture. A number of these "works" are mildly engaging, even amusing, including the suitcase by James Chinneck. The Richard Long parody by a partnership calling itself "Leeds United", trying to walk a straight line between pubs, is good for one laugh, perhaps two.

Few things are rather good, if conventionally so. "Strange Ritual" is a painting by Sue Kemington that is a knowing cross between Fiona Rae and Gillian Ayres; the systemic linear abstraction of Ashley Elliott. Best of all is the two-screen video, "Goldiggers", by Monika Oechler, with its ambiguous eroticism of girls in a gym, medicine balls, legs, high-heels. But for the rest, it was at best take-it-or-leave-it stuff, at worst inept.

In this light, the catalogue apologia by Richard Stone, one of the selectors, makes interesting reading. "It was soon obvious that stylistic homogeneity... was out of the question. We had to look for anything good of its kind... This meant a search for striking imagery, for unusual deployment of means, for any attempt to establish a language of paint or... any consolidation of an existing language... for anything that carried a serious professionalism of purpose, scale and handling, for paintings free of crushing precedent, for youthful risk and brav."



'Bullitt', 1995 by Philip Jones: 'We had to look for anything that was good of its kind'

Conventional Contemporaries

William Packer on the pick of the student crop at the Liverpool Tate

Well, I feel for him, but "good of its kind"? He does rather give the game away with all that stuff about novelty and striking imagery, language of paint, serious professionalism and freedom from crushing precedent. Why should the student be expected to fly so high and far, like Icarus, before he has put his wings properly together? It seems to me that such imposed expectations as Stone's are part of the problem.

Earlier he had bemoaned, *inter alia*, the poor quality of the life studies and portraits submitted. The real question to ask is why this should be so, the answer simplicity itself. No-one now

teaches any of them how to do it. Indeed I doubt if there is anyone left in our art schools who can.

Hence the preponderance of video and photography, and painting based on photographic reference alone; hence the falling-back onto the option of abstraction; hence the obsessive emphasis upon imagery above form and true technique. Does Stone truly believe the crude drawing of Philip Jones's "Bullitt", with its embracing figures and motor-car, or Jun Hasegawa's cut-out reclining girl, to be "good of its kind"? Does he really think that by simply painting upon a photograph Alex Veness is

doing anything "to establish a language of paint"? Easy pickings is more like it.

Would the small and facile expressionist studies by Chantal Joffe offer any interest at all without their pornographic content? The answer to that lies on the floor below, in the loose compilation from the Tate's collections around the theme of internationalism and British art in this century, *Home and Away*. By the entrance hangs a small nude of 1921 by William Nicholson.

It is very simple, in essence four horizontal stripes - the broad white cloth on the wall behind, the model

herself, the sharp green of the mattress and the dark floor. She lies from left to right stretched out on her back, almost at eye level, her head half-turned away, one knee half-raised. It is the sexiest image in the entire place, and it is not just because the subject is a naked and pretty woman, but because it is done with such knowing economy and attention in the paint, and done so well.

New Contemporaries 96: Tate Gallery, Albert Dock, Liverpool, until May 27, then to Camden Arts Centre, London; supported by the Nigel Moores Family Trust.

Opera in Paris/Richard Fairman

Barenboim's grand romanticism

walked out of Paris, he stepped into the only other operatic job in Europe with an equally enticing future. Political will had determined that Berlin, as the capital of Germany, must have an opera company of appropriate stature. Barenboim has the money to do what he wants and, to judge from the productions he brought to Paris, has stamped his personality on the Deutsche Staatsoper.

The musical performances of both operas - Strauss's *Elektra* and Beethoven's *Fidelio* - were pure Barenboim, grand romanticism which gave no quarter. Either by nature or through hard work, the orchestra has absorbed the deep and rich quality of sound in which Barenboim glories and the reliability of its playing was a constant strength, whatever one might think of the exaggerated nature of its music director's interpretations. It is no good going into a Barenboim performance cool-headedly, as a detached observer. One simply has to

surrender, to accept the very slow tempos at the outset, to be swept along frenetically as a climax approaches, then to sink back and wait for the process to start again. Perhaps surfing offers something of the same excitement - the expectation, the thrill of the big wave, the feeling of being in the grip of a force of nature beyond one's control.

Unfortunately, there are certain kinds of control that one needs a conductor to impose in opera. Barenboim was greeted with a few boos at the end of *Elektra*, simply because he allowed the voices to be drowned. It does not take any special facility to give the heavy dragons of brass their head in this opera. How much more effective to do it the hard way and search out the detail in *Elektra*, as conductors like Carlos Kleiber and Solti have done.

The result was that the singers succeeded according to the extent that they could be heard. Deborah Polaski

has a formidable strength in the middle of her voice and is probably set to be the *Elektra* of the next decade, even if she never seems to give all she could. Too much of her personality is kept out of sight. Inga Nielsen's Chrysothemis balanced strength and purity of voice (it was easy to imagine reports of her being a fine Salome). Uta Priew was a straightforward Klytemnestra and Falk Struckmann a sturdy Orest.

The lack of hysteria in each of their performances looked to be an intentional feature of the production, though Polaski's physically neutral attitude may have emphasised that. Dieter Dorn, the producer, allowed her to keep retreating to a corner of the set which acted like a sound-box, from where she could concentrate on projecting her voice and not worry too much about movement. Still, the opera's claustrophobic atmosphere was well enough captured. The family relationships were tellingly portrayed.

Stéphane Braunschweig's production of *Fidelio* was much more intrusive. Usually, the staging presented an abstract view of what imprisonment meant. The stage was a white box and on each side were compartments or drawers, each one representing the cell of a prisoner. But this overbearing visual concept imposed geometric formality on a drama which is already asking to be released from its theatrical stiffness.

Though Barenboim was here often at his most convincing (the opening of the quartet was a moment of spine-tingling sanctity) he had a less good cast with which to work. Johan Botha's Florestan had problems with intonation. Nadine Secunde's Leonore struggled with a voice that has seen better days in music that needs a technique at the height of its powers. The best singing came from Falk Struckmann as a bullish Pizarro, and René Pape, whose flexible and easily-produced bass is one of the brightest lights among the up-and-coming generation of German singers. A mixture of these two casts will return next year, when the Deutsche Staatsoper and Barenboim return to the Châtelet for Wagner's *Lohengrin*.

Musical/David Murray

Happy End

For the Nottingham Playhouse, Martin Duncan has staged a brave, enthusiastic version of the Brecht-Weill "gangster musical" *Happy End*. At least we think of it as the work of Brecht and Kurt Weill since they wrote the famous songs ("Surabaya Johnny", the Bilbao Song, the "Matrosen-Tango") - but thereby hangs a tale, and also the ill-starred fortune of the whole piece.

After the huge, unforeseen success of their *Threepenny Opera* in 1928, Brecht and Weill were pressed to devise another "popular" show. Again they had Elisabeth Hauptmann, one of Brecht's many discarded lovers, to write the book (she had translated Gay's *Beggar's Opera* for him). But Brecht was too busy and sought-after to fulfill his role as lyricist until almost the last moment; by then, his anxious collaborators had spatchcocked some previous songs and lyrics - perhaps by Hauptmann as well as Brecht - into the show, on the lamest of dramatic excuses: generally of the form "Now let me sing you a song about X, and that will show you what I mean!"

The trouble is that most of Weill's songs suggest depths of sour irony, not so much of grief, when the limply farcical book provides no backing for any of those things. It was not Hauptmann's fault that her imagined strife between Chicago gangsters and upstanding members of the Sally Army now looks like a dim first sketch for Frank Loesser's glo-

rious *Gyps and Dolls*. Nevertheless it does, to its disadvantage: where every Loesser number registers a decisive step in the action, a gap always yawns between Weill's haunting *Happy End* numbers and their jerry-built theatrical springboards.

At Nottingham Martin Duncan has opted for a cartoonish production. Broad stereotypes from everybody, vigorously mimed for the furthest end of the pier, candyfloss costumes (Robert Innes Hopkins) in DayGlo hues, with the purple and orange gangsters in 1950s' cut rather than '20s; stark, effective sets and lighting by Wolfgang Göbbel. Michael Feingold's new translation is neatly scatological in the songs but quite deadly in the dialogues, which defeat nearly everybody's efforts to speak them - whether with conviction, or guile, or in gingerly inverted commas.

Duncan's special coup has been to assemble a rather good band from his cast of actors. Only the piano-player (Greg Palmer, who has made the credible arrangement of the score) and one saxophonist stick to their parts. Everyone else sometimes acts, sometimes sings, sometimes tootles or strums or bangs, and altogether they make a good fist of it. That lends the show an appealingly communal, fun-for-all air. The scathing undertones of Weill's songs, two or three of them vividly rendered, are left to float free.

At the Nottingham Playhouse until May 11.

Theatre/Simon Reade

Emilia Galotti

Classical German theatre still does not play as an important role in the mainstream British repertoire as it should. Thankfully fringes theatre diligently feeds our hunger for the definitive dramas of European Kultur.

Last summer, London's Gate Theatre mounted an impressive "Storm and Stress" season, including a rare Kleist comedy, *Amphytrion*, and Schiller's precocious *The Robbers*. Now the seminal *sturm und drang* writer, G.E. Lessing, is revived at the Courtyard Theatre in Kings Cross with *Emilia Galotti* (1772), a fanciful domesticated tragedy which deeply affected both Goethe and Schiller.

Like impassioned opera (only without the music) *Emilia Galotti* has some choice arias: "That did me good; made my blood boil"; "the who is not maddened by some things has no sanity to lose". Amid this baroque emotional frenzy, each character manipulates Emilia Galotti for their own ends, willfully seduced by her innocence. They represent the moral corruption of a society on the edge of its reason.

Emilia is the original daughter of a fastidious colonel and aspirant mother, both archetypal bourgeois. Emilia learns on her wedding day of the Prince's lustful obsession with her. Meanwhile, the scheming Lord Chamberlain, Marinelli, engineers Emilia's abduction and the murder of her betrothed (to please the Prince, with whom Marinelli is

homo-erotically infatuated). Emilia's fate is sealed; appalled at the prospect of her dishonour, she persuades her father to take her life: "I have plucked the rose before the storm could take its bloom" (the new translation is by Mary Luckhurst).

The play requires a psychologically epic production, certainly achievable in this small, intense venue. Christopher Hynes' staging lacks such ambition. The design has no *Konzept*: scrappy carpet rolled out on sandstone brick floor; indecisive, sombre modern dress. The performances are insipid where they need to be furtive and thrilling, bursting at the seams. Some actors do have fun with the kind of bathos prevalent in modern translation: "How's the art?" the Prince asks the painter enthusiastically - "Art's wondering where its next meal is coming from."

Lessing begins the play with this debate. The Prince is astonished by a beautiful portrait of Emilia: "Is this your work, or my imagination?" It is both, of course. Lessing is a disciplined artist; a playwright who scintillates our thoughts. We saw this in Cheek by Jowl's compelling 1990 touring production of Lessing's vivid first play *Miss Sara Sampson*. If his plays receive the kind of revival which adequately address the *drang*, then Lessing will take us by storm.

At the Courtyard Theatre, King's Cross until May 4 (0171 833 0870).

Under Stéphane Lissner's direction the Théâtre du Châtelet in Paris has become the artistic crossroads of Europe. Leading symphony orchestras and opera companies are finding that all roads lead to Paris - a city that is uniquely prepared to pay to get them there.

A British contingent will be arriving later in the year, first with Simon Rattle and the City of Birmingham Symphony Orchestra performing Janáček's *Jenufa* in June, then the Philharmonia for Stravinsky's *Oedipus Rex* as the next stage of its Châtelet residency in the autumn. Meanwhile, Germany is sending out its finest in the form of the Deutsche Staatsoper, the opera company that used to be number one in former East Berlin and now finds itself promoted to number one in the whole of united Germany.

The man at its head is Daniel Barenboim. There is a sweet irony in this, for if the French master-plan had gone according to schedule, Barenboim would by now be the figurehead of opera in Paris and might have been taking an internationally-regarded Opéra Bastille on tour to Germany. It was not to be. When Barenboim

soprano Eva Marton, tenor Jyrki Niskänen and baritone Elke Wilim Schulte; 8pm; Apr 25

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ATHENS
CONCERT
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● Athens State Orchestra: with conductor Jordi Mora perform works by Wagner, Debussy and Brahms; 8.30pm; Apr 26

BARCELONA
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Palau de la Música Catalana
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CAPE TOWN
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● The Cape Town Symphony Orchestra: with conductor Jorge Mester and violinist Piet Koornhof perform works by Berlioz, Mozart and Dvorák; 8pm; Apr 25

CHICAGO
CONCERT
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● Chicago Symphony Orchestra: with conductor Roger Norrington perform works by J.S. Bach, Haydn

COLOGNE
CONCERT
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● Orlando Quartet: perform works by Haydn, Kurtag and Brahms; 8pm; Apr 24

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OPERA
Det Kongelige Teater
Tel: 45-33 14 10 02
● Die Entführung aus dem Serail: by Mozart. Conducted by Andrew Greenwood and performed by the Royal Danish Opera. Soloists include Lena Nordin, Dina Mai-Mai and John Laursen; 8pm; Apr 25

DRESDEN
OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● La Nozze di Figaro: by Mozart. Conducted by Wolfgang Rennert and performed by the Sächsische Staatsoper Dresden. Soloists include Otaf Baer, Claude Kunz, Eva Kirchner and Rainhard Dom; 7pm; Apr 24, 28 (4pm)

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and Beethoven; 8pm; Apr 25, 26, 27, 28 (3pm)

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HAMBURG
OPERA
Hamburgische Staatsoper
Tel: 49-40-351721
● Il Barbiere di Siviglia: by Rossini. Conducted by Antonello Allemandi and performed by the Hamburg Oper. Soloists include Raul Gimenez, Jozsef Gregor, Ning Liang and Dmitri Hvorostovsky; 7.30pm; Apr 24, 27, 30

LONDON
CONCERT
Barbican Hall Tel: 44-171-6388891
● The English Chamber Orchestra: with conductor Philip Ledger and violinist Igor Oistrakh perform works by Beethoven and Mozart; 7.30pm; Apr 24

NEW YORK
CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Herbert Blomstedt and violinist Viktoria Mullova perform works by Mendelssohn and Bruckner; 8pm; Apr 25, 26 (2pm), 27, 30

PARIS
CONCERT
Théâtre du Châtelet
Tel: 33-1-42 33 00 00
● Staatskapelle Berlin: with conductor Daniel Barenboim and soprano Alessandra Marc perform R. Strauss' Vier letzte Lieder and Ein Heldenleben; 8pm; Apr 25

STOCKHOLM
CONCERT
Stockholms Konserthuset
Tel: 46-8-7862000

Symphony No.7 in A major, Op.92 and Roberto Gerhard's Die Pest; 8pm; Apr 26, 28 (11am)

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CONCERT
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Tel: 34-1-4354240
● Orquesta de Cámara Reina Sofía: with conductor José Ramón Encinar perform works by Halffter, De Falla, Toldrá and Castro; 7.30pm; Apr 24

MADRID
CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Herbert Blomstedt and violinist Viktoria Mullova perform works by Mendelssohn and Bruckner; 8pm; Apr 25, 26 (2pm), 27, 30

NEW YORK
CONCERT
Avery Fisher Hall
Tel: 1-212-247-7800
● Israel Philharmonic Orchestra: with conductor Zubin Mehta and violinist Gil Shaham perform an all-Tchaikovsky programme; Apr 25

PARIS
CONCERT
Théâtre du Châtelet
Tel: 33-1-42 33 00 00
● Staatskapelle Berlin: with conductor Daniel Barenboim and soprano Alessandra Marc perform R. Strauss' Vier letzte Lieder and Ein Heldenleben; 8pm; Apr 25

STOCKHOLM
CONCERT
Stockholms Konserthuset
Tel: 46-8-7862000

Variations to music by Franck and The Dream to music by Mendelssohn; 7.30pm; Apr 24

MADRID
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Fundación Juan March
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COMMENT & ANALYSIS



Martin Wolf

Crisis of the welfare state

Doctor IMF's prescription for sharply reducing fiscal deficits by cutting public spending will not be taken by the patients because the medicine is so unpleasant

"The state is the great fictitious entity by which everyone seeks to live at the expense of everyone else."

Among the most effective weapons of democratic politicians is to promise more to today's voters than is imposed in taxation upon them.

These do not come at the same time. Even the most cynical of politicians would only lower government indebtedness, by default or inflation, when debt has grown to substantial proportions.

The last time industrial countries sprang the inflation surprise, in the 1950s and 1970s, they eliminated indebt-

edness accumulated up to and during the second world war. In the UK, which had enjoyed a long history of price stability, postwar inflation reduced gross public indebtedness from 300 per cent of gross domestic product in 1945 to 50 per cent in 1980.

The next default will be on debt accumulated in peacetime. This, as the latest World Economic Outlook from the International Monetary Fund demonstrates, is what makes today's developments unique.

The sustained deficits of the past two decades are unparalleled for advanced economies in peacetime. The consequence has included significant increases in the public debt burden: in the US, the ratio of the net financial liabilities of general government to GDP has jumped from 23 per cent in 1980 to 52 per cent last year.

This has not happened because governments have been bad at raising revenue: the average ratio of fiscal rev-

enue to GDP in industrial countries has risen from 28 per cent in 1960 to 44 per cent in 1994. But they have been even more spectacularly successful at raising expenditures, which have gone from 23 per cent to 50 per cent of GDP over the same period.

Behind this lies the extraordinary increase in transfers and subsidies, which jumped from 8 per cent of the GDP of industrial countries in 1960 to 21 per cent in 1992. Such payments account for roughly one third of GDP in France, Italy, Norway and Sweden.

Still higher spending lies ahead. In Japan, Germany and France, for example, the ratio of pension liabilities to GDP is over 100 per cent. In all three countries, increases in contribution rates of 3 1/2 per cent of GDP would be needed to stabilise the ratio of liabilities to GDP between now and 2050.

One way of looking at how the old benefit at the expense of the young is the controversial tool of "generational accounting". Studies suggest

that in the US, Italy, Norway and Sweden, today's young workers will have to pay \$200,000 to \$300,000 more in taxes over their lifetimes than they will receive in benefits, at present benefit levels, while current retirees may receive \$100,000 more in benefits than they will have paid in taxes.

An obvious explanation for the pickle in which governments find themselves is the productivity slowdown since the 1970s, which has raised spending and lowered revenues by comparison with what had been expected. The slowdown may be an obvious answer, but it is far from a complete one.

What form would the default take? Almost certainly of inflation. Would such inflation succeed in securing a reduction in the debt burden? Certainly, it would, provided there was a rapid and large enough increase in the price level and the country had a sufficiently long average maturity of debt.

Few governments inflate or default deliberately. They are not that cynical. On the contrary, such disasters occur to governments driven by forces beyond their control or even their understanding. Bad policies come to seem the only way out of a desperate situation, with the biggest defaults coming when governments exploit opportunities created by predecessors who would never have conceived of such a thing.

Whether these policies are desirable is, in any case, irrelevant. They are unsustainable. The only question is when and how they will change.

Doctor IMF says reduced fiscal deficits are good for one, particularly for countries "that have suffered from extremely high fiscal imbalances and where the action is viewed as necessary to restore government solvency". When countries were successful in

reducing their ratios of public debt to GDP, economic growth and job creation increased almost immediately and soon thereafter the unemployment rate declined, both short- and long-term real interest rates fell, and the currency appreciated in real terms.

The IMF's prescription is for sharp reductions in deficits, focused on public spending. But its chief patients do not have to listen and will not do so, because its medicine is so unpleasant. When real interest rates are well above prospective real rates of economic growth, they must raise more revenue than can then be spent on the things voters actually want, if debt ratios are to be stabilised. That is political poison.

"To be successful," says the IMF, "reforms may have to change habits, social norms and attitudes." Quite so. Such reforms happen only in a crisis. That crisis will arrive only at the point of default. For the majority of industrial countries, that point lies at least a decade or two ahead.

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Robin Allen on the prospects for the Iranian economy after the country's general election

A first step on the road to reforms

The strong performance of moderates in Iran's election on Sunday may at last have given President Hashemi Rafsanjani the opportunity he needs to start implementing urgently needed economic reforms.

Supporters of the reformist faction called the Servants of Iran's Construction will have about 60 seats in the 270-seat Majlis, the parliament. About a third of these seats were won from the hardline conservatives known as the Assembly of Combatant Clergy, who dominated the previous Majlis. No group now has absolute control.

Once a wealthy oil-producer, Iran is currently better known abroad for its support for Islamic revolutionary groups - including the Hizbollah guerrillas now confronting Israeli troops in Lebanon - than for its economic prowess.

Annual per capita income, according to the central bank, is only 1.8m rials - equivalent to \$40 at the black market exchange rate.

Soaring inflation has debased the currency and reduced living standards. US sanctions are hurting Iran's oil industry and restricting the flow of international investment. Low oil prices mean less revenue while the surge in population is stretching state resources.

"The heart of the matter," says a prominent private-sector businessman, "is that, whereas in the latter half of the 1970s the government's annual oil revenue was \$22bn for a population of 30m, it is now \$14bn for a population of 60m."

An average monthly public sector salary in 1979 was worth about \$500, and a Paykan, a locally assembled car, could be bought for the equivalent of less than \$4,000. These days, the average public sector salary amounts to about \$100, and the car costs \$12,000.

"Annual public-sector wage increases are pegged at 20 per cent," says the businessman. "But actual inflation is between 65 and 100 per cent.

People can't make ends meet." Many of the reformers who did well in the latest election want to encourage foreign investors and reduce the subsidies which support millions of poor Iranians and prop up loss-making state companies.

The opponents of change fall into four main categories. First, Iranian businessmen say, is the country's clergy, whose chief concern is to retain the political power and control of state funds they won as a result of the 1979 revolution.

The second source of opposition to reform is the bazaar merchants, wealthy traders who are often far removed from the innovative private sector investors the country needs.

The third are the bonyad foundations created by the clerics, which took control over the immense corporate empires and real estate holdings of the former Shah's family. The bonyad have a reputation for inefficiency and corruption.

The richest and most notorious, according to Iranian analysts, is the Mosazafan (the foundation for the deprived), which is controlled by the Islamic Revolutionary Guard Corps.

The fourth element of opposition to economic restructuring is Iran's 17 million workers. "For the last 40 years," says Dr Mehdi Behkish, chair-

Many reformers want to encourage foreign investors and cut subsidies which support millions of poor Iranians and prop up loss-making state companies

man of the international affairs commission of Iran's chamber of commerce, "everyone in this country, including me, has been fed, not by his own efforts, but on oil money handed out by the state."

But the state's coffers are dry. "Now you have to teach people to work, to compete, to be efficient," says Dr Behkish.

That task will not be easy, even with the president's support. Mr Rafsanjani's second four-year term expires in August next year, and he is barred by the constitution from standing for a third term.

It is not simply a question of revenue and expenditure; nor of sticking to repayment schedules on outstanding foreign debts. "There has to be a wholesale transformation of the economy away from an oppressive state system to one where the private sector is allowed to breathe."

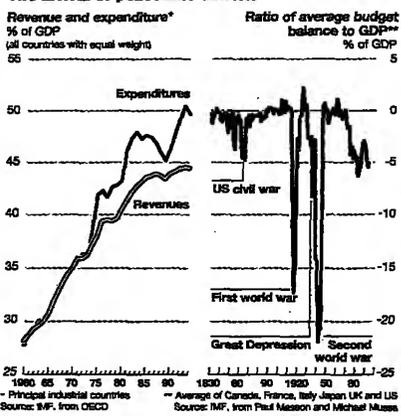
Local and foreign private-sector investors find obstacles at every turn. Industrial investment of Iran, a holding group established by banker Mr Farviz Aghili and others to help channel money into privatisations, is still waiting after two years to get a central bank licence.

Conflicting legislation, a hostile bureaucracy and strict Islamic laws deter foreign companies even from the country's embryonic free trade zones, which offer incentives to foreign investors.

Everywhere, say private businessmen, there is talk of greater economic liberalism and of the impending departure of the more opportunistic clergy from active political life. But Iran continues to spend money on Russian submarines, on missile emplacements on disputed islands in the Gulf, and on exporting Islamic revolution.

Even when the country's clerical leaders focus on problems at home, they are likely - for fear of popular anger - to move slowly in dismantling the subsidies on which their influence largely depends.

The arrival of peacetime deficits



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Hong Kong more than just money machine

From Mr Ian Strachan. Sir, Mr Patrick Wye (Letters, April 17) is right to acknowledge Hong Kong's great economic vitality. We have moved from a third-world to a first-world city in a generation. Hong Kong is now the world's eighth largest trading economy.

We are not a welfare state, but our economic success has enabled us to cope more effectively with those who - through no fault of their own - fall by the wayside amid this growing affluence. We have been able to double social welfare expenditure within the past four years, while nonetheless cutting taxes and keeping public expenditure below 20 per cent of gross domestic product.

Hong Kong is not just a money machine. It is also a caring, civilised society, which combines great economic dynamism with an ability to look after those in need. And it has a government which - far from being a dictatorship - is accountable to a vigorous elected legislature which has substantial powers, including the duty to approve how public money is spent.

Ian Strachan, director of social welfare, Hong Kong government, 9/F Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong

PFI must not be cosmetic exercise

From Mr Dan Corry. Sir, It is good to see Philip Stephens getting away from the details to focus on exactly how the private finance initiative is working, to focus on its core implications ("Buy now, pay later", April 19). For those who believe that public investment is worthwhile, the PFI may be a necessary evil, but its implications should be well understood.

In the first place, at its heart is usually a simple shift in the timing of expenditure. Quite why the all-knowing financial markets seem so relaxed about a public sector borrowing requirement reduced in the short run by such a wheeze, is a mystery. One hopes that the

coming of resource (accrual) accounting to the UK will reduce the temptation to use the PFI merely to affect the time profile of expenditure.

Second, the efficiency gains from using the PFI will have to outweigh the well-known extra financing costs of using the PFI - as no doubt it will in some cases. But the government must publish far more information about these extra costs and benefits so the public can see that value for money is being achieved.

Third, we must be aware that a PFI-driven deal will be different from a conventionally financed project.

The way that the service will be delivered, the way

management behaves, even the projects that are started, will change and so the PFI will start to determine the shape of our public services. Over the long run, this may have implications both for the exchequer and the public.

A well-run PFI is a useful addition to the delivery of good public services. A shoddy one, forged in the need to make the accounts look better, will do nobody any good in the long run.

Dan Corry, senior economist, Institute for Public Policy Research, 30-32 Southampton Street, London WC2E 7RA, UK

Tacit acceptance of Krajina Serbs' fate

From Mr Yugo Kovach. Sir, Your report "Aid for Bosnian Serbs tied to ousting of leaders" (April 15) quotes Carl Bildt, the high representative to Bosnia-Herzegovina, as saying: "The only money I intend to benefit Mr Karadzic [the Bosnian Serb leader] personally is for his upkeep in The Hague." In his previous role as the EU's mediator for former Yugoslavia, Carl Bildt was also outspoken about Croatia's invasion of the UN protected Krajina last year, stating that President Franjo Tudjman must be held responsible for the shelling of Knin just as the Krajina Serb leader, Milan Martić, had been indicted for a rocket attack on Zagreb.

The invasion quickly

culminated in the expulsion of 175,000 Krajina Serbs from their 400-year-old homeland, nothing less than the largest single instance of ethnic cleansing within Europe since 1945. Croatia achieved its goal of an ethnically pure state. In contrast, the expelled Krajina Serb nation faces "historical" extinction, which by international convention qualifies as "genocide".

President Clinton's reaction to the invasion and its cleansing was to account the positive, namely that the prospect of a settlement in neighbouring Bosnia had been brought forward. To add insult to injury, the initial month or so of Croat military occupation was marked by the well documented random murders of several hundred of the

elderly Serbs who had stayed behind as well as the torching of tens of thousands of abandoned dwellings.

The Hague tribunal has failed to issue a single indictment in connection with the expunging of the Krajina Serb nation. This is tantamount to condoning the concept of "benign" ethnic cleansing. Graver still is a widespread unwillingness to acknowledge that the world's sole superpower tacitly encouraged ethnic cleansing in a land far removed from its shores for reasons of realpolitik and domestic political advantage.

Yugo Kovach, 38 Lebanon Park, Twickenham, Middlesex TW1 3DG, UK

Arguments on capitalism must recognise the problems

From Dr Julie Froud, Dr Colin Haslam, Mr Sukhdev Johal and Mr Karel Williams.

Sir, Martin Wolf ("No answer in Germany", April 18) uses complacent arguments and evidence to attack Will Hutton and the whole debate about forms of capitalism and stakeholding. In this context, his reference to Orwell and patriotism is mistaken and ironic.

Left intellectuals like Hutton may admire foreign forms like

Rhineland capitalism. But right intellectuals like Wolf also have a model of how capitalism should be when they recommend competition. What else does this involve except making the world more like economic theory in general and the US in particular?

Citing aggregate evidence on productivity and employment creation proves nothing about the superior performance of the Anglo-American form.

Centre left critics of that form, like Will Hutton in the UK or Robert Reich in the US, are more concerned with the unequal division of prosperity between different social groups.

The important intellectual line of division is not between those who do or do not have ideal type models of national capitalism but between those who will or will not admit that late capitalism creates distributional problems.

Hutton's work, like the broader debate about stakeholding, may not have the answers but at least it does begin to recognise the problem.

Julie Froud, Colin Haslam, Sukhdev Johal, Karel Williams, International Labour Studies Centre, University of Manchester, Oxford Road, Manchester M13 9PL

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FINANCIAL TIMES

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Tuesday April 23 1996

Beneath the Olive Tree

The victory of the centre-left Olive Tree alliance in the Italian elections marks a notable watershed for that country: the first time there has been a left-dominated government since the war. The result also amounts to a clear signal from the electorate, and holds out the prospect of (for Italy, at least) a stable administration. That should be welcomed both by the financial markets, and by Italy's European partners.

The rightwing Freedom Alliance, the alternative coalition led by Mr Silvio Berlusconi, was punished for its own mistakes in 1994, and for the contradictions within its leadership. Mr Berlusconi failed to resolve the conflict of interest between his position as a political leader, and his ownership of three television channels. His ally Mr Gianfranco Fini, leader of the hard-right National Alliance, never quite succeeded in distancing his party from its fascist roots.

As for the victory of the Olive Tree, that was more to the successful capture of the centre ground in Italian politics, than to any serious swing to the left. The obvious concern is the coalition's need to rely on votes from the Reconstructed Communists, the (unreconstructed) core of the old Communist Party, to have a majority in parliament. Yet that may be less alarming than it appears. On specific economic policies, like privatisation, which the communists cannot accept, the populist Northern League can almost certainly be persuaded to provide an alternative majority.

The new government must split its tasks two ways. In the first place, it faces a heavy agenda in dealing with the ongoing business of government, including the long-term commitment to budget discipline, and the fervent desire

to make the grade (eventually) for membership of European economic and monetary union. Second, it has urgent matters of electoral and constitutional reform to deal with.

The first requires tough budgets, both immediately, to correct the 1996 plans, and for 1997. The caretaker administration of Mr Lamberto Dini, a member of the victorious alliance, should push through an instant mini-budget, with spending cuts or increased revenues to fill a hole of some £10,000bn. That would relieve the pressure on the future government, and could start a virtuous circle, enabling the Bank of Italy to reduce its official discount rate.

Other top economic priorities include privatisation, which requires setting up the necessary regulatory authorities in parliament, such as for telecommunications, something opposed in the past by both far left and far right. And the government must press ahead with further labour market reforms, for example by accepting a difference in wage rates between the north and south of the country - another very sensitive issue.

One of the more worrying results of the election has been the success of the Northern League, which won 59 seats in the lower house. It thus remains an unpredictable force to be reckoned with. The new government will have to press ahead with constitutional reforms, to provide more devolution of power to the regions. It must also reform the electoral system. It is as challenging an agenda as any faced by a current European government. But at least the new coalition can claim a genuine electoral mandate, and the prospect of more than a few months in power.

Beef bans

The UK government is touting the idea of a total ban on continental beef imports in retaliation for the European Commission's refusal to lift its worldwide ban on British beef exports. Even Mr Malcolm Rifkind, Britain's sober-minded foreign secretary, refused publicly to rule out such a step yesterday. That does not lessen the fact that it would be an act of gross irresponsibility.

In reality such a step is unlikely to be taken. It is gesture politics of a kind only too familiar in recent British ministerial rhetoric about the European Union. Mr John Major is aggrieved at the Commission's action and worried about the backlash from his party's Euro-sceptics. By raising the spectre of a Europe-wide escalation in the beef crisis he is seeking to pressurise the Commission.

The appropriate way to challenge the ban is by bringing a case before the European Court of Justice,

as the government is proposing to do in any event. This takes time. But an application to have the ban lifted temporarily could be made within days if ministers moved quickly in presenting their legal grounds for a suspension of the ruling.

A retaliatory import ban would appear to be a violation of the single market. It might also legitimise further barriers elsewhere, for instance in response to devaluations. Moreover, imports of EU beef from animals more than two-and-a-half years old have already been effectively banned since the government last month prohibited cattle above this age from entering the food chain because of the BSE risk.

The UK was a leading pioneer of the single market and is a frequent critic of other states for failing to implement single market directives. It would be folly to jeopardise this achievement.

Sunk costs

Eurotunnel should be admired, at the very least, for itschutzpah. The Channel tunnel operator, announcing net losses of £925m in 1995, nearly two and a half times greater than the previous year, called for the ferries to rationalise their services.

Cheeky, but right. Like many large infrastructure projects in the UK, the tunnel would never have been built had the costs and revenues been predicted more accurately. However, despite Eurotunnel's financial plight, the operating company underneath is valuable and capable of fighting a battle which its rivals cannot win. Its best weapon is simply that the tunnel now exists.

Eurotunnel's statement that the first full year of operations was "disappointing financially" is uncontentious. But the dominant feature of the figures is that financial charges accounted for £768m of the net loss, of which £118m represents interest unpaid since mid-September. The results suggest that Eurotunnel is likely to be commercially viable only when some debt has been written off.

That is a step which Eurotunnel's 225 banks have been reluctant to accept. Eurotunnel has been in negotiations with them since last September when it suspended interest payments on £3.1bn of debt after deciding that it could not cover interest payments for many years. It reported yesterday that little progress had been made in bank negotiations since its previous announcement to shareholders in February.

The legacy of its original financing aside, the operation of the tunnel represents a potentially healthy business. Last year's turnover, at £299m, was ahead of projections made in October. More significantly, Eurotunnel reports a

positive operating cashflow in 1995 of £101m, which more than covered capital expenditure in the period of £89m.

The outlook for operating cashflow - and hence for the value of the operations - remains unclear. Eurotunnel announced yesterday that it now has about 50 staff in the capitals it serves, compared with 275 in 1991; there is scope, however, to trim operating costs further. However, many factors remain beyond its control, such as the performance of the railway companies which are entitled to 50 per cent of the tunnel's capacity. Eurotunnel says they "should contribute over 40 per cent of our total revenues in the years ahead" but has complained repeatedly that the companies have failed to develop their traffic in line with those predictions.

None the less, the tunnel is capable of fighting a tough battle with the ferry operators because its operating costs per passenger are always likely to be lower. Last year's increase of passenger traffic through the tunnel coincided with Eurotunnel's decision to slash its prices for duty-free alcohol and tobacco, putting immediate pressure on ferry margins. However bitter a price war they fight, the ferries cannot drive the tunnel out of existence. Nor can a tunnel be downgraded: it is there to stay.

Any operator of the tunnel stands the best chance of maximising the value of the business by pursuing an aggressive pricing strategy against the ferries, if necessary for years. There is a lesson here for the banks. Whatever the vagaries of the refinancing negotiations, their long-term interest lies in the price-competition strategy that stands the best chance of protecting the value of the underlying business.

A toehold on power

The left's victory in Italy's elections is historic despite the slender margin, says Robert Graham

Despite the close result, Sunday's general election in Italy appears to have produced an historic outcome.

The majority in both houses of parliament for the centre-left Olive Tree alliance makes the left the dominant partner in government for the first time since 1946. The alliance's programme of pragmatic reform, fiscal discipline and firm support for European integration also gives Italy the chance to return to the agenda of sound government begun by the Amato administration in 1992.

That reform agenda was interrupted by the 1994 general election which brought to power a government led by Mr Silvio Berlusconi, the media magnate and leader of the rightwing Freedom Alliance which yesterday conceded defeat. Its aggressive campaign to curb the power of the judiciary and weaken Italy's public finances with an unjustified tax cut frightened off the moderate vote and led to its defeat.

As Mr Paolo Franchi, the commentator for Corriere della Sera, the leading daily, observed yesterday: "The Alliance failed to bring together the electorate on the right with the moderates and thus lost the centre vote."

The failure raises doubts over the political future of Mr Berlusconi, whose Forza Italia movement scored 20 per cent of the vote, making it the second-largest party. His supporters appeared indifferent to his trial on corruption charges.

The next parliament will act to resolve the conflict of interest between Mr Berlusconi's political ambitions and his ownership of three television channels through the Fininvest empire. Forced to choose between business or politics, he may decide to forego the latter - orphaning Forza Italia and leaving it vulnerable to break-up.

His main partner, Mr Gianfranco Fini, leader of the rightist National Alliance, is also a big loser. In January, he sabotaged the formation of a new government because he believed he would emerge victorious from a spring election.

But he has been badly mauled for failing to distance himself and his party from their neo-fascist past, and the National Alliance took 15 per cent of the vote, less than he had hoped, as he admitted yesterday. He has also failed to supplant Mr Berlusconi for the leadership of the right and could now return to the marginal position he held in Italian politics before the March 1994 general election.

The deathly silence of the right on Tuesday spoke for itself. Equally eloquent was the boisterous celebration of the Olive Tree supporters - even on the prospect of a slender numerical triumph.

The dominant partner in the eight-party centre-left alliance is the Party of the Democratic Left, heir to the old Communist party and now wedded to a social democrat philosophy. It provided the organisational muscle in the Olive Tree and remains Italy's largest party with 22 per cent of the vote.

But central to winning the crucial centre vote was the backing of the former Christian Democrats, reshaped in the Popular party, and the entry of Mr Lamberto Dini with his moderate Italian Renewal. As

caretaker premier, Mr Dini was barely able to campaign - distracted by his government duties and the EU presidency, held by Italy since January. However, he won almost 5 per cent of the vote - more than half that of the Popular party and the grouping of Mr Romano Prodi, the leader of the Olive Tree.

Another contribution to the centre-left victory came from the decision by the populist Northern League of Mr Umberto Bossi to fight alone in the north. This produced a three-cornered fight in Italy's rich industrial heartland. Though the league campaigned on a strongly secessionist ticket, the party increased its share of the vote at the expense of the right, winning 11 per cent nationwide.

"There is a wind of secession in the north, especially in the Veneto area," observed Mr Giorgio La Malfa, head of the small Republican party who just managed to save an Olive Tree seat in Venice against a strong League challenge.

Mr Bossi's aim is to play a role similar to that in Spain of Mr Jordi Pujol, the Catalan leader - wringing concessions on a federal structure and devolution of fiscal control in return for guaranteeing a parliamentary majority. But the size of the centre-left victory suggests Mr Bossi may have much less leverage than he expected.

"The government will be formed on the basis of the programme we [the Olive Tree] have submitted to the electorate," Mr Prodi said in his victory speech. "We will not change this. First because the voters have backed it and second because the financial markets have reacted favourably."

Sticking to the 80-point programme of the alliance allows Mr Prodi to make clear that he will not bend to demands from Reconstructed Communists, the hardline of the old Communist party. Among their demands is a return to indexed wages (the so-called *scala mobile*) abolished with union approval in 1993.

Commentators have focused on the difficulties the coalition government may face from relying on the votes of these nostalgic Marxists. However, Italians are used to operating coalitions and the centre-left and Reconstructed Communists are already co-operating at regional and local level. If the hardliners prove recalcitrant on economic issues such as new taxes or privatisation, the government should be able to count on the support of the Northern League.

A more sensitive issue is likely to be the power of Mr Prodi and the future of Mr Dini. Mr Prodi has helped the Olive Tree appeal to the Catholic vote in the centre but he remains reliant on the organisation of the Party of Democratic Socialism. Mr Dini on the other hand has kept a measure of independence from the reformed communists and has proved himself in office both as a technocrat and a politician.

The Olive Tree must stick with Mr Prodi for now. But the cumbersome procedures for organising a new parliament and forming a new government will take at least a month. Mr Dini is still head of a caretaker government with his prestige now reinforced. Until he makes his peace with Mr Prodi, he must remain a rival.



Olive Tree alliance grows on the financial markets

A government formed from a loose coalition of ex-communists, environmentalists, central bankers and former Christian Democrats, needing the backing of either Marxists or hardline federalists, does not look like the financial markets' dream ticket.

But analysts said yesterday they believed that the centre-left Olive Tree alliance had a better chance of sorting out Italy's financial and economic problems than the fractious centre-right coalition led by Mr Silvio Berlusconi which emerged from the 1994 poll.

The reaction on the bond, equity and currency markets yesterday was euphoric, with the lira strengthening to L1,023 on the D-Mark, compared with L1,042 on Friday.

The immediate hope of Italian business is that political stability will encourage the Bank of Italy to reduce the official discount rate, currently at 9 per cent, to give a boost to the economy. The decision could come as early as next month,

if provisional inflation figures for May confirm the downward trend in consumer prices.

But whatever happens on interest rates, a priority for the new government will be taking steps to reduce its deficit. Analysts expect an early mini-budget to raise or save L10,000bn (\$8.35bn) for 1996. Further reductions will be needed for the 1997 budget for which preparations must begin soon.

An Olive Tree government may find itself up against opposition from the left if it tries to cut spending. However, analysts believe strong links with the unions could be an advantage in pushing through austerity measures in sensitive areas such as healthcare.

"When Berlusconi tried to make cuts, 1m people took to the piazza in protest," says Mr Gregorio De Felice, head of research at Banca Commerciale Italiana.

An early return of the lira to the European exchange rate mechanism would be one aim of a centre-left government. However, the Olive Tree's commitment to join

the first wave of European monetary union looks difficult to meet because Italy's government deficit and public debt levels are well above the convergence criteria for membership set in the Maastricht treaty.

Relaunching the privatisation programme would contribute to the reduction of public debt. A new government could probably go ahead immediately with the sale of its remaining minority stake in Ina, the Italian insurer, planned since last year. Investors then hope the new administration will push through the long-awaited sale of a majority stake in Stet, the telecoms holding company.

Analysts are optimistic, however, that a new government has a fair chance to show whether it can live up to its campaign promises. "It looks as if it will be around for at least a couple of years," says one.

Andrew Hill
John Simkins

OBSERVER

Raw voter downs a few

Further evidence from Italy that simultaneously running an election campaign and a media organisation is too much for one man. This time, it's the left which has the problems.

Yesterday should have been the finest hour of L'Unità, the leftwing daily newspaper which still carries on its masthead the proud boast that its founder was the communist leader Antonio Gramsci. Instead, it appeared "in reduced form" due to a computer glitch. This embarrassing cock-up suggests it may be time for L'Unità's editor, Walter Veltroni, to choose between his two roles.

The youthful Veltroni, dubbed Italy's Tony Blair after the supposedly telegenic British Labour leader, also happens to be deputy leader of the centre-left Olive Tree alliance.

And his political responsibilities meant, unlike every other Italian national newspaper editor, Veltroni - whose name, if you toss out an L, is an anagram of Raw Voter Let in - wasn't at his desk on Sunday night, but was out carousing, after the first leftwing election victory in Italy since 1946.

Boozy odyssey

Ah, the onerous duties of the

judiciary. Justice Brian Timmerlin, in Sydney's Federal Court, was yesterday required to endure watching some of the irrelevant cartoon series "The Simpsons". A challenging task, the Simpsons being a motley collection of characters representing the lower part of US society.

At issue was whether "Duff Beer" - as manufactured and marketed by a subsidiary of Lion Nathan, the New Zealand-based brewer - was unfairly capitalising on the "Duff Beer" favoured by Homer Simpson in the cartoon.

Lawyers for Twentieth Century Fox (producers of the cartoon) earnestly argued that the brewery group was enjoying a free ride on the Simpsons' popularity. Learned counsel for Lion Nathan hauled out their dictionary and contended that the word "duffier" had independent usage, and claimed the choice by their client was coincidental.

When the hearing was adjourned for the day the prim courtroom was littered with beer cans and assorted videotapes; Homer Simpson would have approved.

Young turks

The rebellion against Martin Bourke, Governor of the Caribbean Turks and Caicos Islands, has ratcheted up a notch, with local church leaders now joining the widespread, vociferous demands for him to go.

This, and the stationing of a warship in the islands, have guaranteed the failure of an attempt by Sir Nicholas Bonsor, minister of state in the UK foreign office, to end the fracas.

Sir Nicholas recently sprang a visit on the islands to address politicians of ruling and opposition parties, who thought Bourke to take an early bath. Bonsor found them in an ugly mood. They told him to shove his gunboat.

Bourke has been under attack since the publication of a magazine interview, in which local politicians feel he conveyed the impression that the tiny, eight-island colony - population 15,000 - is "unstable and lawless".

Instead of calming the waters, Sir Nicholas' intervention has simply left him with a longer list of demands from the islanders. They want London to retract suggestions that the locals have been violently opposing Bourke, and compensation for the "damage" they claim Bourke has inflicted on the territory's tourism and offshore finance industries.

Wonder if Argentina is interested in claiming sovereignty?

Going, going, going

Hard-up times in the new straight-laced Argentina: a Buenos Aires auction of Eva Peron's clothes has raised huge media interest but very little cash.

Of the many items - including 11

dresses and countless moth-eaten hats - that were to have gone under the hammer, only a handful tempted a sceptical public.

The event was soured at the start by suggestions from members of her surviving family that many of the clothes in fact never belonged to Evita. The auction, televised live, then went badly as the sale of five dresses was suspended because of a mysterious court injunction. To cap it all, a surviving sister of the legendary former first lady objected to the auction as being in poor taste.

That was enough for cash-strapped Argentines; hat after gaudy hat was paraded, but no one stirred to make an offer. Even a desperate plea inviting bids for any item on the catalogue met with stony silence.

But two dresses were sold, both bought by men. The mayor of Lanús in Buenos Aires, who parted with \$10,500 for a dress, also became the proud owner of one of Evita's hats.

There is of course no suggestion that the mayor intends wearing his purchases; but Lanús hacks will be very attentive in future when he opens supermarkets and that kind of thing.

It's our pleasure

Proudly displayed at the entrance to a Moscow hotel: "If this is your first visit to Russia, you are welcome to it."

Financial Times

100 years ago

The French farago
The Bourgeois Cabinet in France is apparently on its last legs, and, if report be true, President Faure will not be sorry to see the back of it. The Senate, too, has scored a victory, and the general belief is that it will be impossible for the Cabinet to remain in office. It matters little, French Ministers are as ephemeral as house-flies, and the President will have small difficulty in getting another collection together. He is said to be endeavouring to form a Cabinet of "conciliation and concentration", which ought at least to last the usual time - that is, about three months.

50 years ago

Death of Lord Keynes
Lord Keynes, the famous economist (formerly John Maynard Keynes), has died from a heart attack at the age of 62. He returned to Britain a fortnight ago from the United States. He was exhausted by the work that he had put in at the International Monetary Conference at Savannah, where he had played a leading role, and was ordered to rest. Lord Keynes was responsible for developing the theory which makes full employment for everyone the overriding aim of government policy.

G10 warns on bail-outs for Mexico-style crises

By Robert Chote in Washington

Buyers of government bonds should not expect to be bailed out in the event of another Mexico-style crisis, finance ministers and central bank governors from the Group of Ten leading industrial countries warned yesterday.

"There should be no presumption that any type of debt to the private sector will be exempt from payments suspensions or restructurings in the event of a future sovereign liquidity crisis," the G10 said in a communiqué after its meeting in Washington.

However, some officials doubt that the G10 will apply its apparently tougher stance even-handedly. They suspect that holders of small countries' bonds would be left to bear losses.

But the international community would still be under considerable pressure to organise a bail-out in the case of crises which threaten serious losses for a wide range of important financial market participants.

In the Mexico case, the devaluation of the Mexican peso in December, 1994 provoked a run

on the currency, causing widespread anxiety among international investors holding Mexican bonds.

The US led a \$40bn support package, which ensured full repayment of bondholders.

Explaining why bondholders had been protected in the Mexican case, Mr Kenneth Clarke, the UK chancellor of the exchequer, said: "Faced with the stark choice of disorderly default or a bail-out, the international community opted for the latter."

The signal that a more robust line may be taken in future financial crises came as the finance ministers and central bank governors also welcomed progress in agreeing a way to expand the credit lines under which 12 industrial countries agree to lend money to the International Monetary Fund in the event of such crises under "general arrangements to borrow".

A working group of four G10 members and four potential new participants has agreed a set of broad principles.

The G10 comprises the G7 countries - the US, UK, Ger-

many, Italy, Canada, France and Japan - plus Belgium, Switzerland, Sweden and the Netherlands.

The communiqué added that the current case-by-case approach in dealing with sovereign crises was an appropriate starting point for evolutionary change.

G10 study of sovereign liquidity crises, published yesterday, called for bond contracts to make clear that the wishes of some bondholders could be overruled when a sovereign crisis was being resolved.

But officials said the G10 countries themselves were reluctant to take the lead in this, with countries such as France arguing that only fragile emerging market countries really needed to amend their bond contracts in this way.

"Evolution of contractual arrangements between sovereign borrowers and their creditors needs to be a market-led process if it is to be successful," the study said.

"Ringfence" IMF gold, Page 7

Israel damps hopes for Lebanon ceasefire

By Julian Ozanne in Jerusalem and David Gardner in Beirut

The US and France continued to pursue separate diplomatic initiatives to end the 12-day Israeli bombardment of Lebanon yesterday as hopes of an imminent ceasefire faded.

Israel widened its air strikes to include bases of radical Palestinian groups, and Mr Shimon Peres, Israeli prime minister, said Israel's offensive had no time limit.

Mr Warren Christopher, US secretary of state, presented Mr Hafez al-Assad, Syrian president, with a formal written ceasefire proposal. US officials said they hoped the plan, backed by Israel, would be agreed this week.

But Syria, Lebanon and Palestinian Hizbollah guerrillas continued to support alternative proposals being pursued by Mr Hervé de Charette, French foreign minister.

The State Department refused to release details of the US plan but western diplomats said it aimed to seek an end to attacks by Israel and Hizbollah on civilian targets, limitations on the rules of engagement of Hizbollah in civilian villages in south Lebanon and a cessation of Hizbollah attacks on Israeli soldiers in Israel's occupation zone in southern Lebanon.

Despite the growing momentum of the US proposal Mr de Charette continued to press his alternative, more modest, proposals and warned Washington was unable to deliver all the cards necessary for a ceasefire agreement.

Diplomats said Mr de Charette was referring to Iran, which backs Hizbollah and has a strategic relationship with Syria.

Lebanon continued to voice public support for the French plan which seeks to revive the limited July 1993 understandings between Hizbollah and Israel and which focuses attention more on Israel's illegal occupation of southern Lebanon in defiance of United Nations resolutions.

Lebanon also said it was reluctant to sign a written document which would infringe on its right to resist Israeli occupation and on its demand for Israel to implement UN resolution 425 and withdraw from southern Lebanon.

"It is through the French initiative that we will reach a serious solution," said Mr Faris Bouze, Lebanese foreign minister.

The continued determination of Israel and the US to search for a wider solution to the conflict in southern Lebanon and to snub the French effort drew criticism from Mrs Susanna Agnelli, Italian foreign minister.

In Jerusalem, Mr Peres said that Israel's offensive "is an operation that is not limited in time but is detailed in its goals - the goal is to bring long-term quiet to northern [Israeli] communities".

THE LEX COLUMN

Bells in harmony

It may not be possible to put Humpty Dumpty together again. But Ma Bell is quite another matter. The original US telecoms group was considered so monopolistic that it was split into eight bits - seven local companies, the Baby Bells, and a long-distance company, AT&T - in 1984. Now the pieces are coming back together. Yesterday's \$51bn merger between two of the babies, Bell Atlantic and Nynex, follows a similar deal between two others, SBC and Pacific Telesis.

But it would be wrong to conclude that the new Adolescent Bells will have the same monopolistic power as their old Ma. They will be competing in an increasingly vicious market - with cable, satellite and wireless groups all attacking their local franchises. The Bells themselves will make a big splash in the long-distance and international markets, which they are only now being allowed to enter. The merged Bell Atlantic/Nynex - covering the contiguous New York, Boston and Philadelphia regions - is particularly well-placed to grab market share: nearly half of the \$20bn in long-distance traffic originating in its enlarged territory also terminate in it, and their customers generate a third of all US international traffic. When AT&T complains that the merger is anti-competitive, what it really means is that its own business is under threat.

The mergers certainly put pressure on AT&T to beef up its own local presence either by linking up with cable groups or accelerating the roll-out of wireless technologies. They also start the guessing game over which of the remaining three babies will be the next to marry and which will be left on the shelf.



ages from contractors and railway companies has died a predictable death. There appears to have been no real progress towards thrashing out an agreement with its banks. And with only 8 per cent of its debt pegged at fixed rates, it could be hit by a turn in interest rates.

What is understandable is Sir Alastair's frustration with the banks. True, co-ordinating 235 bank creditors is a nightmarish task, but the banks' dithering is unimpressive. It is not clear what the appointment of *mandataires* under the French system is contributing to the process, but the notion that they will be able to do much to protect shareholders' interests appears rather optimistic. As the further unwinding of the share price suggests, massive dilution still appears to be the inevitable conclusion.

National Power

National Power's renewed bid for the UK's Southern Electric smacks of panic. The generator appears to be hoping that by swallowing a regional electricity company (rec) it will become a less attractive target for Southern Company of the US - which already has one of its own. At the very least, National Power believes that decisive action and an earnings enhancing deal - which the Southern Electric acquisition should be - will stand it in good stead if the Americans still attempt a takeover.

In return, the UK group is willing to take risks. Trade secretary Mr Ian Lang has yet to clear the generators' bids for the recs and could still impose some nasty conditions. Despite that, National Power is paying top dollar for Southern Electric. The new bid is a 9 per cent increase on the old one and the price/earnings multiple is the highest paid for any rec so far. Compared with the sale of generating capacity to Eastern, the transaction should enhance earnings per share by around 8 per cent next year - but a share buy-back would have done that too. And Southern Electric's £2.5bn price tag leaves National Power with little scope for much of a buy-back or special dividend as part of that bid defence, should it come to that. By holding off or buying a smaller rec, management would have preserved more room for manoeuvre.

Everything now depends on how Southern Company will react to having the door slammed in its face. Theoretically, it could bid for National Power including Southern Electric and take its chances with the regulator. In practice it will want to break up that deal, so it must bid soon or go home.

German employers attack plans to revitalise economy

By Peter Norman in Bonn

Germany's leading employers' federations yesterday courted confrontation with the country's powerful trade unions by condemning the government's efforts to cut public spending and revitalise the economy.

On the eve of tripartite talks this evening between Chancellor Helmut Kohl and employer and union representatives, the association of employers' federations (BGA) and the Federation of German Industry (BDI) declared that the measures the government was preparing "would fail by a long way" to reduce the burden carried by industry and individuals through social security contributions.

Mr Klaus Murrmann, BGA president and Mr Hans-Olaf Henkel, head of the BDI, in a statement called for cuts in welfare services, demanding that sick pay be decreased to 80 per cent of the basic wage in place of the present system of payment-in-full of salary and recent overtime.

Their statement, issued ahead of the chancellor's attempt to

secure backing from both sides of industry for "a programme to strengthen the dynamism of the German economy", put the employers on a collision course with the unions, which have threatened to strike in defence of sick pay. A survey by DPA, the German news agency, said some union leaders were prepared to break off the tripartite talks if the government stuck to its planned welfare cuts.

The finance ministry announced that the government was seeking bigger savings than the DM50bn (\$33bn) of public spending cuts disclosed last week. In addition to DM25bn savings at the federal level and a further DM25bn savings by states and local authorities, the government would seek savings of about DM2bn from social insurance spending, the ministry said.

The importance of this evening's meeting was confirmed yesterday by Mr Peter Hintze, general secretary of Mr Kohl's Christian Democratic Union. Speaking after a meeting of the CDU leadership, he confirmed that final decisions on important

parts of the package had been delayed until after the talks. These included the issue of sick pay and proposals to delay increases in children's allowances.

Mr Hintze underlined that the programme, which is due to be agreed by the Bonn coalition partners on Thursday evening, contained far more than spending cuts. There would be tax reform and deregulation, including a long-awaited, but modest, relaxation of Germany's restrictive shopping laws.

The government is understood to be seeking savings of about DM7bn in departmental budgets, a cut of DM5bn in payments to the federal labour office which administers unemployment pay, DM3bn through a public sector pay freeze, DM4bn savings on social spending and nearly DM3bn savings through trimming children's allowances.

The need for spending cuts was highlighted by Mr Günter Rexrodt, economics minister, who said that economic growth was now expected to fall below 1 per cent compared with 1.5 per cent forecast three months ago.

UK plan for selective slaughter of cattle

Continued from Page 1

spralling action," said the official. "Other states could take action against other UK products - which would also be illegal."

Private officials said there was a "sharp difference in perception" between the commission, which wanted to work with the UK on a BSE control and

eradication plan to provide scope to lift the ban, and the UK, which seemed determined to try and get the ban removed without having put the necessary controls in place.

The government's selective slaughter plan is designed to cut the number of cases of BSE this year and next by up to 40 per cent. Without a cull, about 8,500

cattle are expected to develop the disease this year, falling to 5,000 next year.

The plan is expected to target three to six-year-old cattle which are considered most at risk of developing BSE because they were born in the same herd, and around the same time, as animals that have had the disease and been destroyed.

FT WEATHER GUIDE

Europe today
 Cooler air from the west will move into the continent. Eastern Spain and France will be cool and windy with temperatures below 20C, although Spain will gradually become drier with sunny spells. England and Scotland will have widespread cloud and rain. Some thundery showers will form over the Benelux, eastern France, the western Alps and northern Italy, but most other parts of the continent will remain dry. Eastern Europe will be sunny and warm with temperatures above 25C in most places, and Greece will have frequent sunny periods. Northern Russia and southern Scandinavia will be cloudy with some showers.

Five-day forecast
 Conditions will remain unsettled. The British Isles and eastern Spain will be cloudy with showers. Western areas of the continent will become brighter with frequent sunny periods, but rain will move into central and eastern Europe and western Russia.

TODAY'S TEMPERATURES

Maximum	Belling	fair	31	Caracas	fair	30	Faro	fair	18	Madrid	fair	17	Rangoon	fair	36		
Minimum	Cebu	cloudy	13	Cardiff	showers	11	Frankfurt	fair	20	Manila	fair	20	Riyadh	fair	24		
Abu Dhabi	sun	37	Belgrade	sun	24	Cosublanca	fair	19	Geneva	thund	19	Melba	fair	23			
Accra	fair	32	Berlin	fair	23	Chicago	sun	12	Glasgow	showers	12	Manchester	showers	12	Rome	fair	21
Algiers	fair	19	Bernada	fair	22	Cologne	fair	28	Hamburg	fair	25	Melbourne	showers	20	S. Francisco	sun	24
Amsterdam	cloudy	20	Bozota	fair	20	Dakar	fair	25	Hankou	fair	25	Medico City	sun	26	Seoul	sun	24
Athens	sun	20	Bombay	fair	33	Dallas	sun	22	Helsinki	fair	13	Montreal	sun	26	Singapore	fair	31
Atlanta	thund	28	Brussels	thund	21	Dart	fair	31	Hong Kong	fair	21	Niomi	thund	19	Sydney	showers	23
B. Alves	cloudy	25	Budapest	fair	24	Dubai	sun	37	Honolulu	fair	31	Milan	thund	18	Strasbourg	cloudy	23
Blum	showers	11	CJagan	showers	19	Dublin	cloudy	12	Istanbul	fair	15	Montreal	thund	14	Sydney	showers	23
Bangkok	showers	38	Caio	fair	21	Dubrovnik	fair	21	Jakarta	rain	13	Murich	fair	20	Tangier	fair	18
Bercelona	fair	19	Cape Town	fair	22	Edinburgh	rain	11	Karachi	sun	35	Nairobi	sun	27	Tokyo	sun	18
									Kuwait	sun	33	Naples	sun	22	Toronto	showers	11
									Las Vegas	showers	22	Nassau	sun	29	Vancouver	fair	14
									Las Palmas	showers	22	New York	showers	21	Verona	fair	21
									Lima	sun	22	Nice	thund	19	Vienna	sun	28
									Lisbon	cloudy	16	Nicosia	thund	17	Winnipeg	sun	25
									London	fair	18	Oulu	cloudy	12	Washington	showers	23
									Luxembourg	thund	20	Paris	thund	15	Wellington	cloudy	13
									Lyon	thund	19	Perth	thund	22	Winnipeg	showers	13
									Madras	fair	18	Prague	fair	26	Zurich	cloudy	20

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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سكوا من الامل

COMPANIES AND FINANCE: EUROPE

Euro Disney posts first-half trading surplus

By Andrew Jack in Paris

Euro Disney, operator of the Paris-based theme park, yesterday announced a trading profit for the first time since the park's opening in 1982.

Income before lease and financial charges for the first half of its 1995-96 financial year was FF758m (\$11.4m), compared with a loss of FF82m in the first half last year.

However, the group still reported net losses, although these fell 30 per cent, to FF165m.

There was a substantial rise in lease rental expenses, which had been temporarily waived following the restructuring, and which stood at FF120m last time.

The charges will increase by a total of FF120m for the full year as part of the agreements with the group's creditor banks.

The group reported excep-

tional gains of FF61m, against FF55m, which reflected savings of several million francs generated by buying back from the market additional convertible bonds issued by Euro Disney as part of the restructuring, as well as writing back of provisions made at the same time.

Financial income also rose, from FF140m to FF169m, and financial expenses fell from FF234m to FF228m.

Mr Philippe Bourguignon, chairman and chief executive, said: "This improvement in results reflects our strong commercial performance, notably in the hotels. Of particular significance is that it comes at a time when many tourist destinations are experiencing tough market conditions."

He also stressed that the results reflected the low season of the park's activities, and that there should be a substantial jump during the second half of the year, which

covers attendance during the summer.

Euro Disney's turnover improved 13 per cent to FF1.9bn, despite the difficulties besetting the tourism sector in France - notably during the last three months of 1995, at a time of terrorist attacks and industrial action linked to the government's proposed social security reforms.

The rise included an 11 per cent rise in revenues from theme park entries to FF310m. This suggests that increased attendance more than offset cuts in admission charges which were introduced in April last year.

Higher occupancy helped raise hotel revenues 17 per cent to FF819m, while other revenues rose from FF158m to FF171m.

The group does not provide detailed figures on attendance or occupancy numbers within its half-year results.

PROFILE:

EURO DISNEY

Market value: \$2.5bn Main listing: Paris

Historic P/E 84

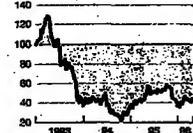
Group yield NR

Earnings per share FF7.00

Current share price FF15.6

SHARE PRICE

relative to the SBF 120



Source: DataStream, ABN Amro

EARNINGS PER SHARE

relative to the SBF 120



Source: DataStream, ABN Amro

Montedison back in the black after special gains

By Andrew Hill in Milan

Montedison, the Italian industrial holding company, yesterday announced a consolidated profit of L1,070bn (\$682.4m) after tax for 1995, its first annual net profit since 1991. The results benefited from extraordinary gains of L978m, including the proceeds of disposals and the transfer of polypropylene activities into the Montell joint venture with Royal Dutch/Shell.

Group profit before tax and extraordinary items was L979bn, against L748bn in 1994. Montedison lost L345bn after tax in 1994, following extraordinary charges of L445bn.

The parent company also decided to write down the nominal value of its share capital - by L1,384bn - to cover losses built up in the last four years and clear the way for payment of a dividend from next year. Italian law forbids the payment of dividends by companies which are still carrying accumulated losses. Montedison's shares were suspended yesterday.

Montedison said market conditions had weakened in the second half of 1995, and in the first quarter of this year turnover decreased to L6,022bn, down 3.1 per cent on the equivalent period. Gross operating margin narrowed from 16.5 to 15 per cent of sales.

Net debt at Montedison stood at L9,839bn at the end of last year, equivalent to 96 per cent of shareholders' funds, against L11,654bn a year earlier.

Ferruzzi Finanziaria, the linked holding company which controls the industrial group through a 30 per cent stake, also recorded a net profit in 1995, of L11bn, against a loss of L67bn in 1994. The holding company said it would ask shareholders' permission to change the name of the group.

No new name has been proposed, but the change is likely to end any association with the Ferruzzi family of Ravenna, which controlled the group during the late 1980s and early 1990s before its near-collapse in 1993.

CS Holding and Winterthur agree co-operation deal

By George Graham, Banking Correspondent

CS Holding, the parent company of Credit Suisse, has not abandoned its idea of a far-reaching merger in the Swiss banking industry, despite the brusque rebuff this month to its overtures to Union Bank of Switzerland.

CS yesterday announced an agreement to co-operate with Winterthur Insurance on a broad range of financial services, but said it would continue to eye a much bigger banking merger.

Mr Rainer Gut, CS's chairman, sternly criticised Union Bank of Switzerland for revealing and rejecting his merger approaches.

"The UBS board has chosen the conservative option. But they - indeed, the whole of Switzerland's financial services industry - will sooner or later be forced to face up to the challenges that the world of banking poses," Mr Gut said in a letter to shareholders.

"We at CS Holding will continue to debate the issue which, because it was publicised earlier than intended, needlessly caused the financial world to hold its breath," he added.

Mr Gut said that the shake-out in the Swiss financial services industry "will have some way to go". The recent mergers between Bank of Tokyo and Mitsubishi Bank and between

Chemical Bank and Chase Manhattan had, he said, "underlined the importance of both strength and size as we move into the next century".

CS's co-operation with Winterthur, meanwhile, will lead to the merger of the two groups' occupational pension subsidiaries to form Winterthur-Columa, which will already have SFR25bn (\$1.5bn) under management when it starts up next January.

In addition, Winterthur will take a one third stake in RE Insurance Finance Company, a joint venture between Credit Suisse and Swiss Re, the reinsurance group. CS and Winterthur also plan to co-operate on direct telephone sales of banking and insurance products as well as on computer and telecom systems.

A UBS-CS merger would have created a substantial international investment bank and fund manager, and raised the prospect of dramatic rationalisation in the Swiss retail banking market.

But UBS rebuffed the approach "unambiguously", virtually accusing CS of attempting to blackmail it ahead of a confrontation with its rebellious shareholder, Mr Martin Ebner, at last week's shareholders' meeting.

CS Holding said its BIS capital ratio was 12.7 per cent and its Tier 1 core capital ratio 8.7 per cent, comfortably ahead of BIS minimum requirements.

Handelsbanken profits top market estimates

By Hugh Carnegie in Stockholm

Lower loan losses and increased interest and commission income pushed up first-quarter operating profits at Handelsbanken by 13 per cent. The group, one of the Nordic region's leading banks, is the first Swedish bank to report for the period.

Operating profits of SKr1.52bn (\$236.9m), up from SKr1.34bn in the same quarter last year, were ahead of market expectations and prompted a sharp rise in Handelsbanken stock on the Stockholm bourse. The most-traded A shares rose SKr5 on the day to close at SKr139.

The steady fall in loan losses shown by Sweden's banks

since the credit loss crisis of 1992 continued to give a strong boost to the performance. Loan losses fell 26 per cent from SKr577m to SKr401m, to reach 0.6 per cent of total lending, against 0.8 per cent a year ago. The figure is still above levels of the late 1980s, but is lower at Handelsbanken than its main rivals, which were harder hit by the crisis.

Profits before loan losses were ahead just 4 per cent, rising from SKr1.5bn last time to SKr1.95bn.

Mr Arne Martensson, chief executive, said lending to households - long depressed in Sweden - picked up in the first quarter, but corporate borrowing had flattened out.

He said the margin between lending and deposit interest

rates had also narrowed further to less than 3 per cent.

Nevertheless, net interest income increased 5 per cent to SKr2.5bn. Analysts said this may have been partly flattered by the removal of Handelsbanken's real estate vehicle Nackebro - to be spun off to shareholders later this year - from the accounts.

Net commission income rose from SKr372m to SKr673, reflecting increased volumes in securities trading. Meanwhile, changes in accounting principles to conform with European Union directives made clearer the effects of changes in value of Handelsbanken's securities portfolio and foreign exchange earnings. Net income from financial operations jumped 17 per cent from SKr218m to

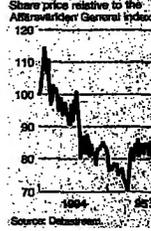
SKr256m. There was also an 11 per cent increase in total costs from SKr1.57bn to SKr1.74bn, with staff costs rising 10 per cent to SKr938m. Handelsbanken said much of this was due to its growing presence in Finland and Norway.

The growth of Telefonica, the Spanish telecom operator, in Latin America and the fast expansion of the domestic mobile phone market helped offset restructuring costs last year at Ericsson España, the Swedish group's subsidiary in Spain, writes Tom Burns in Madrid.

Ericsson España lifted 1995 sales income 44.9 per cent to Pt\$1.8bn (\$735m) but after-tax profits fell from Pt\$4.6m in 1994 to Pt\$4.2bn. The depressed earnings were blamed on low-

Handelsbanken

Share price relative to the Allshare/Global Index



Source: DataStream

ered extraordinary income, increased pressure on prices and the cost of merging the Swedish group's two Spanish subsidiaries.

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سكوا من الأصل

COMPANIES AND FINANCE: EUROPE

SBC eyes Standard Chartered private banking arm

By George Graham, Banking Correspondent

Swiss Bank Corporation is understood to be negotiating the acquisition of the private banking division of Standard Chartered, the UK-based international banking group.

London equity analysts estimated the division contributed close to £15m (\$22.8m) to Standard Chartered's pre-tax profits, and said its price could be more than 10 times that figure.

Neither Standard Chartered nor SBC would yesterday comment. However, SBC has recently told analysts it considers private banking to be one of its best core businesses, and one it expects to expand over the next two years organically and by acquisition.

SBC does not disclose the value of funds under its management, but the group has been steadily increasing the proportion managed outside Switzerland, which rose from

11 per cent in 1994 to 13 per cent last year.

Standard Chartered has been whittling down its non-core businesses, disposing in particular of much of its securities and investment banking operations. It recently agreed to sell 80 per cent of its stock-broking arm to Nava Securities of Thailand.

London analysts said they were puzzled it should consider private banking a non-core activity, because of its overlaps

with the retail banking operations on which Standard Chartered has concentrated.

However, private banking has been managed as a stand-alone business within Standard Chartered's investment banking division. The unit is believed to have some £3.5bn under management.

Mr Daniel Cardon de Lichtbuer, Banque Bruxelles Lambert chief executive, expects 1996 net profit to rise 15 per cent to more than BFr10bn

(\$323m), from 1995's BFr9.41bn, reports AFX News in Brussels.

Mr Cardon was speaking at the inauguration on Friday in Geneva of a new building for BBL's Swiss unit, where he said he expected 40 per cent of 1996 profits coming from overseas activities, against 30 per cent in 1995.

Commenting on the possibility of a merger with Générale de Banque, Mr Cardon said this was not achievable

because of differences between BBL shareholders.

In the absence of the merger, BBL would strengthen its domestic position via increased automation, by pursuing its acquisition of the Antwerp savings bank Anhuy, and by reviewing its branch network. Internationally, it would reinforce its activities in Europe, in the main global financial centres, in eastern Europe, and in France via an acquisition in asset management.

Skoda back in black after three years of losses

By Kevin Done, East Europe Correspondent

Skoda Automobilo, the Czech subsidiary of Volkswagen of Germany, returned to profit in the final quarter last year following three years of losses.

For the full year, the company reduced its net loss from Kcs2.37bn in 1994 to Kcs1.62bn (\$28.8m), it said yesterday.

Skoda remained in profit during the first three months of 1996, helped by a big increase in production, said Mr Volkhard Köhler, deputy chairman.

The group's results for the whole of 1996 would show a "further considerable improvement", although the financial performance in the second half would be burdened by the start-up of a new car plant in the Czech Republic and the launch of the group's second car range.

Last year's loss was mostly due to the heavy expenditure for the new model development and the building of new production facilities.

Skoda remained in loss largely as a result of changes in its accounting procedures, under which it began to charge research and development costs against its profit and loss statement for the first time.

Mr Köhler said the success of the current Felicia range meant the company was "now capable of bearing the costs of

future products". Last year's results were also burdened by advance expenditure for new models of about Kcs3bn. Excluding this investment Skoda had operated profitably last year, said Mr Köhler.

In its most significant expansion since Volkswagen took control in 1991, Skoda is due to launch the Octavia range of small family cars in the autumn, which will be added above the current Felicia supermini range.

The new range will enable the Skoda brand to compete for the first time in the largest volume segment of the European market, against models such as the Ford Escort and the Opel Astra.

It will share chassis platform components with other VW group products under development - including the Audi A3, to be launched later this year, and the next-generation VW Golf and Seat Toledo.

Skoda is aiming to raise output to about 340,000 cars a year by the late-1990s, when both model ranges are in full production.

In the first three months of 1996, production rose by 39.5 per cent from the same period a year ago, to 69,931 units.

Sales volumes in the domestic market rose 13 per cent, while sales increased by 34 per cent in central and east Europe and Asia, by 11 per cent in west Europe and by 35 per cent overseas.

OBITUARY: ROBERT HERSANT

Media man and politician

Robert Hersant, France's most powerful media baron who died on Sunday evening aged 76, managed to combine the construction of an extensive journalistic business empire and a political career with an extremely low personal profile.

His death, after an illness following recent heart surgery, leaves open to question the future of an extremely complex web of companies held together largely by his forceful personality and struggling under substantial debts.

Born in 1920 in Brittany, the son of a naval captain, Hersant started his working life after attending schools in Rouen and Le Havre. In 1945, he published a car directory, followed in 1949 by the magazine Auto Journal.

In 1950, he founded the Robert Hersant group, which became the vehicle for a range of activities in the print media as well as forays into radio and television. It now controls 30 per cent of the French market for daily newspapers, and has stakes in other countries including Le Soir in Belgium and Rzeczpospolita in Poland.

The most well-known titles held through his Scopresse group include Le Figaro, the daily right-wing French paper, and France-Soir, an evening daily paper. Separately, the Hersant family controls France-Antilles, a regional newspaper group.

Not all his ventures were successful. He became head of the ill-fated French fifth television station in 1987 before it closed. His print titles, like those of his competitors, have been hit in recent years by rising costs and falling circulation and advertising revenues.

Little financial information is available on the privately owned group. However, there were suggestions in 1993 that its debt ran to FF4bn - much



of it held with banks that are themselves now in difficulties, including the state-owned Crédit Lyonnais.

Writing in yesterday's Le Figaro, which dedicated most of its front page and several additional articles to its proprietor's death, Mr Franz-Olivier Giesbert, the editor, said: "Robert Hersant was first of all a journalist. Not an industrialist, but an artisan like all of us."

However, he also launched a second career in politics. During the 1950s, he was elected first as a mayor, then as a regional and a national deputy. In 1984 he became a member of the European parliament under the UDF-RPR centrist banner, a post he retained until his death.

There was some ambiguity over his relationship with the

late socialist president François Mitterrand. In spite of a clear political divide between the two men, Mr Jean d'Ormesson, Figaro's managing director at the time Hersant bought the title in 1976, claimed there was an agreement which veered away from excessively critical coverage while the socialists were in power.

His early career was tarnished by accusations of collaboration with the Vichy régime during the second world war.

In a rare interview on the subject on French television in 1982, he admitted to "an error" while adding ironically: "Those who know me a little know that I am the only Frenchman of my generation to have not been a hero of the resistance."

Andrew Jack

Mannesmann starts year well but sounds note of caution

By Michael Lindemann in Bonn

Mannesmann, the leading German engineering and telecommunications group, said several of its core engineering businesses had done well in the first quarter, but sounded a note of caution for the year as a whole, partly because capital investment was still lagging.

Mannesmann's comments are likely to dampen sentiment in the European engineering industry, where it is one of the biggest groups. However, the company's share price rose DM6 to close at DM58.

Mr Joachim Funk, chief executive, said three main Mannesmann engineering businesses - Demag, Demag Fördertechnik and Krauss-Maffei - had "grown" in the first quarter, compared with relatively strong figures during the same period a year ago.

Business at Rexroth, the hydraulics company, had suf-

fered because of the general economic slowdown, Mr Funk said. "Our expectations for the second half of this year remain uncertain."

Mr Funk expected "significant impulses" from west European companies which needed to invest in new plant. Such investment had fallen by up to 25 per cent in the four years before 1994 in countries of the European Union. But there were signs that demand had been picking up last autumn, following stronger orders from customers in the EU and elsewhere.

The group reports its full 1995 results on Wednesday, but yesterday gave some details about business in various divisions last year. The engineering and plant division - Mannesmann's core business, representing 40 per cent of group turnover - increased sales last year by 12 per cent. The automotive technology

division had put on an extra 7 per cent in sales, while profits remained in line with those reported earlier.

Despite the stronger sales in a number of divisions last year and restructuring, analysts fear Mannesmann faces further difficulties as its costs in dollar terms are about 25 per cent higher than those of foreign competitors.

German steelmakers expect to produce about 39.5m tonnes of raw steel this year, 2.5m tonnes less than last year, because stockpiles were not being used as quickly as expected, the Steel Federation, the umbrella organisation for the German industry, said yesterday.

The industry, which employs 120,000 in Germany, expects to shed up to 5,000 jobs this year because of growing international competition, said Mr Ruprecht Vondran, the federation's chairman.

PRIVATISING BUSINESSES WORLDWIDE

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Gengold
Gengold Limited
(Registration number 7/105181/08) ("Gengold")

Gencor
Gencor Limited
(Registration number 01/01232/08) ("Gencor")

(All companies are incorporated in the Republic of South Africa)

Sale of interests

Further to the announcements of 8 November 1995 and 19 April 1996, shareholders are advised that the sale of certain of the assets of Gengold, including its holdings of ordinary shares in The Grootvlei Proprietary Mines Limited and Stillfontein Gold Mining Company Limited and a portion of its holding of ordinary shares in Unisel Gold Mines Limited (as well as the assignment of its management of these companies), the Buffelsfontein mining division of Buffelsfontein Gold Mining Company Limited (now Beatrix Mining Company Limited), and certain mineral rights, has now become unconditional and will proceed in accordance with the agreements concluded between the relevant parties.

Johannesburg
23 April 1996

Merchant bank
RAND MERCHANT BANK LIMITED
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Advisers to the ordinary shareholders of Buffelsfontein
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Sponsoring brokers
to Randgold
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Member HSBC Group
Simpson McKie James Capel (Pty) Limited
Member of The Johannesburg Stock Exchange
Reg. No. 1461794/07

to Buffelsfontein
FLEMINGMARTIN
Fleming Martin Securities Ltd
Registration Number: 95/11818/06
Member of The Johannesburg Stock Exchange

COMPANIES AND FINANCE: ASIA-PACIFIC

NEC to spend Y200bn on semiconductor R&D

By Michio Nakamoto in Tokyo

NEC, Japan's largest semiconductor maker, said it would invest Y200bn (\$1.57bn) over the next 10 years in a facility in Japan for research and development of advanced semiconductors.

The new plant, which will be built in NEC's Sagamihara complex west of Tokyo, will conduct R&D in advanced semiconductor fabrication technology involving line widths of 0.15 microns to 0.07 microns. One micron is one-

thousandth of a millimetre. The smaller the micron, the more information can be incorporated on a chip. Current technology is capable of etching line widths of 0.35 to 0.25 microns.

NEC's investment will take place in three stages. The first pilot line will start producing wafers with line widths of 0.15 microns in October 1997. Production capacity will be 5,000 wafers a month.

The company plans to start operating lines in the second phase in 2000 and in the third

phase in 2003, which will handle wafers with 0.1 microns and 0.07 microns respectively.

The ability to etch circuit lines of 0.07 microns would make it possible to put 1,000 lines in the space of a human hair. With that level of circuit integration, supercomputers could be reduced to the size of PCs, PCs could become as small as wristwatches, and a three-hour movie could be stored on a single chip, NEC said.

NEC, which is the world's second largest semiconductor

maker after Intel of the US, estimates its investment in semiconductors in 1995 was Y210bn. This includes an expansion of two facilities in southern Japan and of its UK facility in Scotland, where it makes memory chips. The company plans to invest a similar amount this year.

Earlier this year, NEC became the first company to announce semiconductor fabrication in China. It plans to construct a Y12bn production line for mass production of state-of-the-art four-megabit

dynamic random access memory chips in November this year.

While concerns have been rising about a slowdown in the market, NEC believes consolidated sales increased by 15 per cent to Y4,350bn in the year to March, 1996, due to strong semiconductor sales. The company believes pre-tax profits will more than double to Y150bn.

In an attempt to keep abreast of market trends and focus on the advanced technology that customers demand,

NEC said it would more than double output of 16-megabit DRAMs to 18m units by the end of the year and 20m by March 1997.

Seiko Epson, the Japanese electronics and computer maker, will invest Y70bn in a new semiconductor manufacturing facility in Japan. The new facility will begin producing eight-inch wafers with line widths of 0.25 microns next year, with volume production starting at the end of 1997. Production capacity is set at 15,000 wafers a month.

NEWS DIGEST

Kao to lift payout on earnings gain

Kao, Japan's largest household products maker, reported a rise in earnings for the 15th consecutive year, on strong sales of newly introduced cosmetics and laundry detergents.

The company saw a 4.4 per cent rise in current profits for the year to March to Y64.3bn (\$507.8m) on a 2.9 per cent increase in sales to Y674.1bn. After-tax profits rose 4.8 per cent to Y27.1bn, and Kao said it would raise dividends to Y12.5 a share from Y11.5 the year earlier.

Cosmetics and hair care products rose 1.9 per cent to Y239.5bn, thanks to a new hair growth enhancer for men and a whitening essence for women. The company improved its existing laundry and dishwashing detergents and saw brisk sales in its floor wiping detergent.

On a consolidated basis, the group's recurring profits - before extraordinary items and tax - rose 10 per cent to Y53.5bn on a 4.9 per cent rise in sales to Y635.6bn.

Kao expects the current year's unconsolidated recurring earnings to rise 3.2 per cent to Y56bn on a 2.4 per cent rise in sales to Y609bn. After-tax profits are expected to rise 3.3 per cent to Y28bn. The company plans to pay for some Y39bn in convertible bond redemptions in September by dipping into its cash reserves.

Emiko Terazono, Tokyo

Semen Gresik income soars

Semen Gresik, Indonesia's largest cement producer with a capacity of 10.5m tons, said net income almost tripled last year as additional production capacity came on stream following the purchase of Semen Padang and Semen Tonasa last year.

Net income in 1995 rose to Rp162.5bn (\$69.8m) from Rp54.7bn the year earlier while net sales increased to Rp820.5bn from Rp309bn.

Semen Gresik, the first state-owned Indonesian enterprise to be privatised, bought Semen Tonasa and Semen Padang in 1995 and the two units started contributing to the company's earnings in September last year.

Semen Gresik injected capital into Semen Padang to strengthen its balance sheet before embarking on expansion, and this led to a strong turnaround in the fourth quarter. Proceeds from the capital injections have yet to be used, thereby earning the recently-acquired unit interest income.

Semen Padang's operating margins are expected to improve this year as its completes construction of its power plant, which will allow additional production to come on stream. Semen Padang has had to rent power from the state electricity utility, PLN, which put pressure on its operating margins.

Manuela Saragosa, Jakarta

PosGold ahead sharply

PosGold, one of Australia's largest gold producers, which is controlled by Mr Robert Channon de Crespigny's Normandy group, yesterday reported a sharply higher profit after tax for the nine months to end-March, of A\$82.2m (US\$48.6m). In the same period of the previous year, the figure was A\$1.7m before abnormal, and a loss of A\$287.1m after abnormal (following large asset write-downs).

PosGold attributed the improvement to the higher realised gold price - which averaged A\$16 an ounce in the most recent quarter, against A\$58 a year ago - and to a higher contribution from Gold Mines of Kalgoorlie, in which PosGold holds a 31 per cent stake. This was partly offset by higher average mine operating costs and increased corporate expenses.

PosGold's total gold production for the nine months, including its pro rata share of production from companies in which it holds an equity interest, was 797,696 oz.

Nikki Tait, Sydney

Coles Myer downgraded

Moody's, the US rating agency, has downgraded the long-term and short-term debt of Coles Myer, Australia's largest retailer. The long-term debt falls from A3 to A2, while the short-term rating goes to P2 from P1.

Moody's noted that the chances of a restructuring at Coles had been largely eliminated when the company announced that it had abandoned any plan to break itself into smaller units. It also expected "increasing competition and eroding inherent profitability in some of Coles' major lines of business which, combined with a continuing need for substantial reinvestment to maintain its leadership position in the Australian retail market, are likely to weaken its earnings and cashflow relative to outstanding levels of debt".

Nikki Tait

Sons of Gwalia claims victory

Sons of Gwalia has claimed victory in the contested bid battle for control of Gasgoyne Gold Mines, the Western Australian mining group. It said that it held more than 51 per cent of its target's shares. The rival bidder was US-based Coeur d'Alene Mines, which has a significant minority stake in Gasgoyne.

Nikki Tait

Competition body plans inquiry into Australis rescue

By Nikki Tait in Sydney

The Australian Competition and Consumer Commission, the country's competition watchdog, is to look into the A\$200m (US\$156.4m) rescue package secured last week by Australis Media, the Australian satellite pay-TV operator.

Under the deal, Publishing & Broadcasting (PBL), the listed media group controlled by Mr Kerry Packer, the Australian businessman, would become one of four investors helping to fund a A\$200m capital injection into Australis. PBL owns Channel Nine, Australia's leading commercial TV network, and also holds a small stake in Optus Vision, one of two cable-based pay-TV consortia.



Kerry Packer, one of four investors funding Australis

The funding package is a financial lifeline for Australis, which last month announced a A\$97.5m loss for the half-year to end-December, and revealed that it was surviving with financial support from telecommunications group, the large Communications line, the large US cable group, and Lenfest, an associated company. Australis' shares, suspended several weeks ago, jumped 8 cents to 65 cents when trading restarted yesterday.

Until last Friday, it was thought likely that Australis - which holds a valuable satellite broadcasting licence - would secure help from Mr Rupert Murdoch's News Corporation. Last year, the two companies appeared to be moving together, when Australis agreed in principle to merge with Foxtel, the cable consortium in which News and Telstra, the government-owned telecommunications group, are partners. But that deal fell foul

of Australis' competition authorities.

Instead, the involvement in the Australis rescue of Mr Packer, Mr Murdoch's arch rival in the Australian media business, has been taken to mean that Australis has in effect "switched camps" in the country's pay-TV battle.

Under the deal, four investors - PBL, Lenfest, Sir Ron Briarley's Guinness Peat, and United International Holdings - have agreed to provide bank guarantees of A\$162m over a six-month period, while Lenfest has also said it will extend a A\$25m loan facility. In addition, Australis will issue A\$13m of new securities "through a major institution".

The A\$200m now available will provide working capital for the next six months, while longer-term financing is sought. PBL said its share of the guarantees amounted to A\$40m.

Goldlion draws on success in China

HK group's record suggests its new cigarette initiative should be taken seriously, writes John Ridding

There are No Smoking signs on the streets of Guangzhou, as there are in a growing number of Chinese cities. But that has not deterred Goldlion, the Hong Kong retail and consumer goods company, from its latest assault on the mainland market.

After ties, belts, clothing and accessories, the group is moving into what it sees as a logical extension - cigarettes. Producing a packet of 20, Mr Louis Lau, the group's financial controller, explains: "Marihoro and Dunhill have gone from cigarettes to clothing and accessories. We are just doing it the other way around."

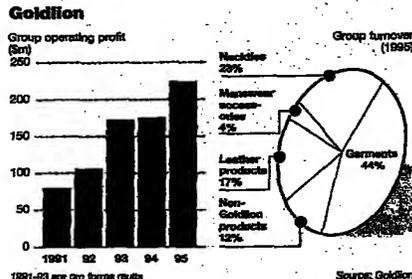
Many in the industry are sceptical about the cigarette initiative, launched in February. But the company's track record suggests it should be taken seriously.

Goldlion has established itself and its brand firmly in China, providing pointers to other consumer goods companies about how to limit risks and achieve rapid returns on the mainland.

Since its launch in China in 1983, sales and profits have grown steadily. Net profits climbed from HK\$34.5m in the year to the end of March 1990 to more than HK\$200m (US\$25.6m) in 1994-95.

First-half results for the current financial year showed a jump of 55 per cent in net profits to HK\$128m, in spite of the effects of anti-inflationary policies and weakened consumption.

Behind the numbers lies a strategy of avoiding big investments and relying on local partners. Goldlion has steered clear of building shops and



buying premises. Instead, it has pursued a new form of counter-trade.

By placing counters in government department stores across China and duty free outlets, Goldlion has built a presence quickly and with limited costs. There are now more than 700 Goldlion outlets, stretching from Xinjiang province in the west to Shanghai in the east. Guangdong, Shanghai and Beijing have the greatest concentrations.

Only four of these outlets are owned by Goldlion. "Each local authority has their own rules, regulations and jurisdictions," says Mr Lau. "Administratively, it would be a nightmare to run 700 outlets in 100 different locations. It is much better to leave that to the locals who know how to get around problems."

An additional consideration is the group's desire to limit its employees to a "skeleton staff" in China to reduce overheads and limit risks in the mainland's volatile retail market.

Risks are also reduced by the company's strict credit policy. Goldlion insists on cash on delivery for its products. A few of the bigger clients are allowed some grace, but 30 days credit is the maximum. "This helped them during the credit squeeze of 1993-94," says one investment banker involved in corporate finance on the mainland.

Such niggardly policies appear to contradict the reckoning of many analysts that China requires significant investments in terms of capital and employment to secure access to its economy.

In the case of Goldlion, however, it seems that this

Jardine Fleming appointment beefs up senior management

By Louise Lucas in Hong Kong

Jardine Fleming, the Hong Kong based investment banking group which recently reorganised the top posts at its fund management arm, is to beef up senior management at the parent level by appointing Mr Tim Freshwater, head of Slaughter & May's corporate

law practice in London. Mr Freshwater, a career solicitor having been a partner with the law firm for 21 years, will work alongside Jardine Fleming's top personnel, including Mr Henry Strutt, managing director.

The appointment, which underlines the group's strategy to strengthen management, fol-

lows a number of regulatory concerns, but Jardine Fleming says there is no connection.

Last month the company confirmed that Jardine Fleming Asset Management (JFAM), its London regulated affiliate, was being investigated by the UK fund management watchdog concerning compliance issues.

Mr Freshwater's responsibilities will include helping with general management issues, business development and client relationship. He joins Jardine Fleming on August 1, the day after he finishes with Slaughter and May and nearly two years after Mr Strutt first initiated discussions with him.

While some of Jardine Fleming's rivals have interpreted recent developments as a power play - with executives who started life on the Robert Fleming side of the business angling for more power - Mr Strutt, a Fleming man, said the latest appointment reflected a long-established desire to strengthen top level management.

Mr Freshwater, 51, is a familiar face on the corporate finance circuits in London and Hong Kong. He worked with Lazards, the investment banking group, advising Granada in its successful acquisition of Forte, the hotels and leisure group. "After 10 years back in London, I've decided to return to the Far East," he said.

This announcement appears as a matter of record only.

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Interest Rate	5.625% per annum
Interest Period	23rd April 1996 23rd October 1996
Interest Amount per U.S. \$5,000 Note due 23rd October 1996	U.S. \$142.97

CS FIRST BOSTON Agent

Schlumberger

SCHLUMBERGER 1995 RESULTS

New York, April 18 - Schlumberger Limited reported today that 1995 first quarter net income of \$171 million and earnings per share of \$0.70 were 16% and 15% higher, respectively, than the same period last year. Operating revenue of \$2.03 billion was 15% above first quarter 1995.

Chairman and Chief Executive Officer Euan Baird commented: "The improvement in results in the first quarter is due to Oilfield Services. An unusually cold winter in the northern hemisphere, and sustained high demand for oil and gas, have reinforced the industry's mood of optimism and should ensure our continued strong growth for the rest of the year."

Oilfield Services posted a 21% increase in revenue as rig count rose 3%. During the quarter, activity increased in key markets, mainly outside North America, positively impacting all product lines.

Measurement & Systems revenue was 5% higher than the same period last year, with Electronic Transactions and Automatic Test Equipment contributing significantly.

Emerging Markets Trading, New Issues and Asset Management stay West

See back page

Nedlloyd

Shareholders in Royal Nedlloyd N.V. and other entitled parties are invited to attend the Annual General Meeting of Shareholders which will take place on Wednesday 22 May, 1996, at 14.00 hours in the Rotterdam Hall of Beurs-World Trade Center, Beursplein 37 in Rotterdam.

Agenda

- Report by the Executive Board over 1995
- Discussion and approval of the Financial Statements 1995
- Empowerment to acquire own shares by the Company
- Extension of the designation of the Executive Board to have power of attorney to:
 - issue ordinary shares
 - restrict or exclude the pre-emptive right in respect of new issues of ordinary shares
 - issue preference shares
- Report of the Committee of Shareholders
- Appointment of Auditors to the Company
- Any other business

Closure

As of today, the complete agenda and the Financial Statements 1995 can be obtained free of charge at the office of the Company and at the offices of the banks named hereunder.

Registration

To obtain entry to the meeting and to be able to exercise the rights attached to bearer shares, holders of bearer shares must have lodged their shares at the latest on Friday 17 May, 1996 at the office of the Company or at the Main Office of one of the following banks:

- ABN AMRO Bank N.V., Herengracht 595, 1017 CS AMSTERDAM
- MeesPierson N.V., Rokin 55, 1012 KK AMSTERDAM
- Commerzbank AG, Neue Mainzer Strasse 32-36, 60261 FRANKFURT AM MAIN

The certificate of deposit from the bank will serve as admission card to the meeting.

Holders of American Depositary Receipts are entitled to obtain entry to the meeting (ADRs do not carry voting rights) upon showing an admission card for this meeting that will be issued upon request by Depository J.P. Morgan, New York, at the latest on Friday 17 May, 1996.

To obtain entry to the meeting and to be able to exercise the rights attached to registered shares, holders of registered shares must have given written notice of such intention at the latest on Friday 17 May, 1996 to the Secretariat/Executive Board who will then issue an admission card to the meeting.

Proxies

Shareholders wishing to be represented at the meeting through a written proxy are being advised that their proxy must have been signed by the rightful owner of the relevant share(s). In addition, the form of proxy must have been received in the office of the Company by mail or fax not later than on Monday 20 May, 1996. Being the holder of registered shares will receive a form of proxy from the Executive Board.

Rotterdam, 23 April 1996

Executive Board
Royal Nedlloyd N.V. - Boomsjes 40 - 3011 XG Rotterdam - Tel 31-10-400.6612 - Fax 31-10-400.6190

السماح للأهل

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AFX
NEWS

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COMPANIES AND FINANCE: THE AMERICAS

Planned spin-off limits increase at EDS

By Richard Tomkins in New York

The planned spin-off of Electronic Data Systems, the computer services consultancy, from its parent General Motors took its toll on EDS's profits by halving first-quarter earnings growth.

However, on a brighter note, EDS said it had won new contract signings worth more than \$1bn during the quarter. Revenues advanced by 21 per cent to \$3.4bn and net profits rose 11 per cent to \$2.8bn.

Yesterday, the company said the 3 cents a share impact on first-quarter earnings growth was the result of certain rate adjustments retroactive to January 1 under the terms of the new agreement.

EDS also repeated an earlier warning that it would incur a pre-tax, non-recurring charge of \$500m to \$750m in the second quarter to cover the cost of a voluntary early retirement offer to some US employees.

Revenues from outside the US rose by 39 per cent and made up 32 per cent of the company's first-quarter total. For the first time, EDS entered the Indonesian market.

Nabisco recovery helped by lower tax

By Richard Tomkins

First-quarter profits picked up after a poor fourth quarter for Nabisco, the US food group. Net earnings rose by 10 per cent to \$53m, the company reported yesterday, although it acknowledged that the improvement reflected lower interest costs and a lower tax rate, and operating profits fell 4 per cent to \$181m.

NEWS DIGEST

Costs hinder profit at US Healthcare

US Healthcare, the US managed care company that has agreed to be acquired by the insurance group Astma, said yesterday first-quarter operating revenues rose 29 per cent, while profits continued to be restrained by rising medical costs.

Continental Airlines investors to sell \$260m shares

By Richard Tomkins

Air Canada and other investors who backed the 1993 rescue of Continental Airlines, the fifth biggest US carrier, are to realise part of their investment by selling up to \$260m worth of shares in a secondary offering, Continental said yesterday.

\$88m after tax for the first quarter, a turnaround from after-tax losses of \$30m a year earlier.

In a complex deal, Air Canada now plans to sell up to 2.2m of its class B common shares and to convert all of its 1.7m class A shares, which carry 10 votes a share, into class B shares with one vote a share.

Investors in Air Partners are selling up to 2.3m class B shares, but after the deal is completed, it will end up with shares and warrants entitling it to about 23 per cent of Continental's equity and \$2 per cent of the general voting power.

of an open skies agreement between the US and Canada had made its alliance with Continental less strategic than it looked three years ago.

Cisco Systems to acquire StrataCom in \$4bn deal

By Louise Kehoe in San Francisco

Cisco Systems, the leading manufacturer of Internet data networking equipment, has agreed to acquire StrataCom, the top producer of switching equipment for high-speed data networks, in a stock swap valued at about \$4bn.

required by Internet service providers and companies building private networks, said Mr John Chambers, Cisco president and chief executive.

By merging StrataCom's technologies for high-speed switching with Cisco's routing technologies, the companies aim to address the growing volume of users and traffic on the Internet and provide capabilities for new multimedia applications, he said.

After the announcement yesterday, StrataCom's share price jumped to 94¢. Cisco Systems was trading at \$47 1/2 in mid-session, up slightly from Friday's close of \$47 1/4.

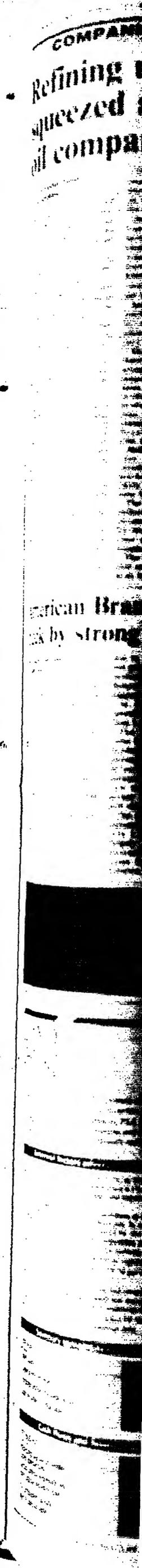
Optics and Wellfleet Communications to form Bay Networks, the 1995 acquisition of Chicom by 3Com and many smaller deals.

Project and Export Finance looks West

StrataCom recorded revenues of \$338m for fiscal 1995, ending in December, a 115 per cent increase over the prior year.

Advertisement for Global DirectMail Corp. offering 4,600,000 shares of common stock and 800,000 shares of preferred stock. Lists various financial institutions and underwriters.

Advertisement for Crédit Agricole 1995 Results. Features two bar charts showing consolidated net income and total capital from 1990 to 1995. Includes text describing rapid earnings growth and increased capital base.



COMPANIES AND FINANCE: THE AMERICAS

Refining margins squeezed at US oil companies

By Christopher Parkes in Los Angeles

A first-quarter squeeze on US oil companies refining margins may continue in the second reporting period of 1996, according to results published yesterday.

Higher crude prices, due in part to severe winter weather, bolstered the sector's exploration and production income. However, increases totalling \$4 a barrel in the last two months of the first quarter, and a further \$3 so far in April, combined with sharp competition in the market for refinery products to take a toll.

Higher raw material prices and a lacklustre world market for commodity products also hit chemicals earnings.

Exxon, reporting "severely depressed" refining margins in the US, Europe and Japan, said US refining and marketing divisions showed a net loss of \$16m in the first three months compared with a \$18m profit last time. Foreign returns in this division increased 3 per cent to \$190m.

Net profits rose 13.5 per cent to \$1.89bn; earnings per share were up from \$1.33 to \$1.51. Chevron's US refining profits were \$18m compared with a loss of \$102m last time, when results were hit by refinery conversions needed to make cleaner burning fuels demanded in its home state of California.

Despite the apparent improvement, the result showed a "very poor" return on capital of about 1 per cent, the company said.

Net income for the period rose 34 per cent to \$516m, with earnings per share up from 70 cents to 94 cents. Profit from domestic exploration and production surged 78 per cent to \$265m, and international results in this division rose 46 per cent to \$251m.

International refining and marketing income was \$75m - in effect unchanged, after allowing for one-off extraordinary gains last time.

Shell Oil, by contrast, reported "growth" in all operating divisions with higher output of oil and gas, increased sales of refined and chemicals products, and improved oil products margins which more than offset lower margins on chemicals. Net revenues at the Royal/Dutch Shell subsidiary rose 42 per cent to \$483m.

Mobil, reporting a 16 per cent rise to \$796m in group income for the quarter, said market "fundamentals are likely to remain volatile in the near term".

The quarter's improvement reflected higher petroleum income which was partly offset by increased refinery downtime and lower profits from chemicals.

The Virginia-based group, said earnings per share rose to \$1.83 from \$1.57 last year.

NEWS DIGEST

Laidlaw to acquire Scott's for C\$836m

Laidlaw, the Canadian transport group, will become North America's biggest school bus and ambulance operator following its C\$836m (US\$662m) takeover of Scott's Hospitality. Laidlaw will pay the equivalent of C\$44 a share for all Scott's shares, including the controlling family group's 64 per cent voting interest.

Scott's operates 6,000 school buses in Canada and the US and also has a national fast food business. It recently sold its UK hotel chain for C\$874m.

Laidlaw will later sell Scott's food business to A&W Canada, a Vancouver-based national fast food restaurant chain, for between C\$250m and C\$300m. After other small disposals, including 400 fast-food units in the UK and the US, Laidlaw estimates the net cost of Scott's school bus business will be C\$495m to C\$505m, including debt.

Laidlaw's 35,000 school buses and ambulances in North America will have annual revenues of C\$3.5bn. Scott's operation will contribute profits immediately.

Robert Gibbens, Montreal

Barrick profits flat

Barrick, the Canadian mining group which is the biggest gold producer outside South Africa, enjoyed significantly higher first-quarter output from its North and South American mines, but earnings were held back by heavy development spending. Net profit was US\$72m, or 20 cents a share, against \$71.1m, or 20 cents, a year earlier, on revenues of \$394.5m against \$306m. Operating cash flow was \$121m against \$115m.

Betze-Post in Nevada performed strongly and Chilean and Canadian production was higher than forecast. Barrick spent \$18.8m on exploration, almost double the previous year's level. Total gold production was 800,515 oz, against 710,431 oz and average realised price was \$413 an ounce.

The new Pascana open pit mine in Chile, which is costing \$300m to develop, increased reserves to 4.4m oz from 3.4 oz at December 31 last, and starts production late in 1996 with target annual output of 300,000 oz.

Barrick has one Canadian mine coming on stream last this year and is building up its presence in Asia and West Africa.

Robert Gibbens

Placer Dome in reverse

A sharp drop in molybdenum prices and higher exploration and interest expense reduced first-quarter earnings at Placer Dome, the Canadian mining group, to US\$8m, or 3 cents a share, from \$37m, or 16 cents, a year earlier. Revenues were \$263m against \$236m.

Cash flow from operations was \$88m against \$71m, and operating earnings from gold were \$41m against \$43m. Total gold output was 458,000 oz, compared with 400,000 oz. The average cash production cost was \$245 an ounce, and the average realised gold price was \$404 an ounce. Placer plans to produce a total of 2m oz in 1996 from its international mining operations.

Copper revenues were lower but will move up later this year as the Zaldivar mine in Chile approaches full production and Australian inventories are sold. The latest quarter included a \$5m special charge for the accidental tailings discharge in the Philippines.

Mill throughput at Porgera, Papua New Guinea, is rising to 16,500 tonnes daily. The 60 per cent owned Cortez gold mine in Nevada will start up in mid-1997 with target annual output of 250,000 oz, while in Canada the Musselwhite mine starts up in second quarter of 1997 with an annual capacity of 135,000 oz.

A go-ahead at Las Cristinas in Venezuela would add 315,000 oz and for Minatitlan in Mexico, another 100,000 oz.

Robert Gibbens

Champion buys up Weldwood

Champion International, the big US paper group, is buying out the 16.5 per cent public holding in its Weldwood forest products subsidiary in Canada for C\$651m, or C\$40.50 a share. The dramatic drop in pulp prices reduced the company's first-quarter earnings to C\$11m, or 29 cents a share, from C\$48.5m, or C\$1.30, a year earlier.

Robert Gibbens

American Brands held back by strong dollar

By Richard Tomkins in New York

The strength of the dollar against sterling hindered first-quarter profits growth at American Brands, the US consumer products group that owns Gallaher, the UK's biggest cigarette company.

Net profits rose by 6 per cent to \$124.1m before extraordinary items.

However, because of heavy share repurchases, fully diluted earnings per share rose by 15 per cent to 68 cents.

Gallaher's world-wide cigarette volume rose by 8.7 per cent, helped by strong gains in the UK. France, the former Soviet Union and Ireland.

A 9 per cent volume increase in the UK market was partly

due to shifts in trade buying, but gains also came from a promotional programme for Benson & Hedges, the UK's biggest-selling cigarette.

In dollar terms, however, operating profits rose by less than 1 per cent to \$150.2m.

The group's biggest gains came from its golf and leisure products division, which increased operating profits by 60 per cent to \$38m largely because of the recent acquisition of Cobra Golf, the US maker of King Cobra brand golf clubs.

The distilled spirits division increasing operating profits by only 1.1 per cent to \$36.2m, largely because growth in international markets was offset by declines in North America.

Global Derivatives move West

PSA PEUGEOT CITROËN 1995 RESULTS

PSA Peugeot Citroën's 1995 business and financial results were shaped by a persistently weak European automobile market, heightened imbalances among European currencies, and an undervalued US dollar.

Within this difficult environment, PSA Peugeot Citroën sought to maintain acceptable profitability in its operations by achieving an optimal balance between unit margins and sales volumes. Simultaneously, the Group pursued its strategic commitment to renewing and broadening model line-ups, continually reducing costs, and profitably expanding in international markets.

External factors adversely affected results

Consolidated net sales declined by 1.2% in 1995 to FF 164.2 billion. While worldwide sales volume contracted 6.1% to 1,867,800 units, the decline was limited by price increases and improvements in the product mix.

Operating income narrowed to FF 3.3 billion, or 2.3% of sales, despite a further major reduction in operating costs. In addition to lower sales, the margin decline was primarily caused by the increase in marketing outlays in response to aggressive competition and the FF 1.3 billion negative impact of foreign exchange fluctuations.

Pretax income amounted to FF 2.4 billion, representing 1.5% of sales. Net income reached FF 1.7 billion, or FF 34 per share, after income tax of FF 600 million.

Cash flow amounted to FF 12.8 billion and covered 128% of net capital expenditure. Gross capital expenditure was maintained at the previous year's level of FF 11 billion, despite an ambitious development program. Consolidated stockholders' equity reached FF \$4.6 billion, or FF 1,090 per share, representing nearly six times net debt.

Continuously preparing for the future

Enhancement of the Peugeot and Citroën product lines

Vehicles successfully introduced in 1994 - primarily new ranges of multi-purpose and light commercial vehicles - enjoyed sustained demand in 1995. Until the Peugeot 406 was introduced late in the year, 1995 was a transition period in the classic sedan segment. Buyers immediately appreciated the new model's styling, road handling and comfort. The Citroën Saxo, launched in early 1995, was similarly well received.

International Expansion

Peugeot and Citroën continued to expand operations outside Western Europe, where they plan eventually to generate 25% of overall sales. In China, manufacturing of the ZX model began at the new Dong Feng Citroën plant. Assembly of the 309 began at the PAL Peugeot Ltd. factory in India. Lastly, Citroën signed an agreement enabling Proton to manufacture its AX under license in Malaysia.

To offer a more complete line of cars in the Mercosur, Peugeot is preparing to produce the 306 model in South America.

Cost Containment

Cost-cutting programs continued during the year and plant productivity again improved, by about 13% in 1995. Close cooperation with suppliers resulted in a further decline in the purchasing price index. First applied in developing the Peugeot 406, the cross-functional, concurrent engineering procedures for new product design continued to prove their effectiveness.

Strong Employee Involvement

Member companies hired more than 3,700 people during the year. Employees remained actively committed to achieving PSA Peugeot Citroën's growth objectives. Extensive training programs were implemented and funded at 4% of total payroll. Employees remained actively committed to achieve PSA Peugeot Citroën's growth objectives.

Dividend

It will be proposed at the June 26, 1996 AGM to approve the payment of a 1995 dividend of FF 5.00 per share (FF 7.50 including the associated tax credit) which compares with FF 6.00 for the previous year. It will be payable on July 5, 1996.

Summary consolidated financial results		
(FF millions)	1995	1994
Net sales	164,248	166,195
Operating income	3,751	7,200
Income before income taxes	2,425	4,511
Net income for the year	1,705	3,402

Cash flows and financial position		
(FF millions)	1995	1994
Working capital provided from operations	12,775	15,217
Gross capital expenditure	11,000	10,457
Net capital expenditure	10,044	9,664
Stockholders' equity	54,630	53,524
Net financial debt	9,623	7,643

Minitel: 3615 CLIFF - Rubrique PSA - Internet: http://www-psa-peugeot-citroen.com

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue April 1996

31,625,000 Shares

HOST MARRIOTT CORPORATION

Common Stock

5,500,000 Shares

The above shares were offered outside the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette
Securities Corporation

Goldman Sachs International

Salomon Brothers International Limited

Smith Barney Inc.

Montgomery Securities

Bankers Trust International PLC

Schroders

ABN AMRO Hoare Govett

Daiwa Europe Limited

Lazard Capital Markets

SBC Warburg
A Division of Swiss Bank Corporation

26,125,000 Shares

The above shares were offered in the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette
Securities Corporation

Goldman, Sachs & Co.

Salomon Brothers Inc

Smith Barney Inc.

Montgomery Securities

BT Securities Corporation

Schroder Wertheim & Co.

Bear, Stearns & Co. Inc.

Deutsche Morgan Grenfell

Lazard Frères & Co. LLC

Morgan Stanley & Co.
Incorporated

Oppenheimer & Co., Inc.

Advest, Inc.

Crowell, Weedon & Co.

Interstate/Johnson Lane
Corporation

Legg Mason Wood Walker
Incorporated

The Ohio Company

Raymond James & Associates, Inc.

The Seidler Companies
Incorporated

Tucker Anthony
Incorporated

Anderson & Strudwick
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Friedman, Billings, Ramsey & Co., Inc.

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The Chicago Corporation

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Ladenburg, Thalmann & Co. Inc.

Needham & Company, Inc.

Ragen MacKenzie
Incorporated

Scott & Stringfellow, Inc.

Sutro & Co. Incorporated

Wheat First Butcher Singer

Ferris, Baker Watts
Incorporated

Ryan Lee

Kommuninvest I Sverige AB

U.S. \$100,000,000

Guaranteed Floating Rate Notes due 1998

For the Interest Period 22nd April, 1996 to 22nd July, 1996 the Notes will carry a Rate of Interest of 5.6875% per annum, the Interest Amount payable per U.S. \$1,000 Note will be U.S. \$71.88, and for the U.S. \$100,000 Note will be U.S. \$1,437.67, payable on 22nd July, 1996.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

Banesto Finance Ltd.

US\$100,000,000

Subordinated floating rate notes due 2003

Notice is hereby given that the notes will bear interest at 7.125% per annum from 23 April 1996 to 23 October 1996. Interest payable on 23 October 1996 will amount to US\$181.08 per US\$5,000 note, US\$362.19 per US\$10,000 note and US\$3,621.88 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

DAEHAN SELECTIVE EQUITY TRUST

International Depository Receipts evidencing Beneficial Certificates representing 1000 Shares

Notice is hereby given to the Unitholders of Daehan Investment Trust Co., Ltd. (the Manager) that a distribution of US\$ 100,000,000 (US\$ 100 million) per US\$ 100 of Daehan Selective Equity Trust, coupon no. 2, payable on or after May 13, 1996, in the Republic of Korea. The record date has been set on March 31, 1996.

Payments will be made on or after May 20, 1996, in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York:

- Brussels, 33 Avenue des Arts
- New York, 60 Wall Street
- London, 60 Victoria Embankment
- Frankfurt, 7-8 Boehrmerstrasse

The amount of US\$ 100,000,000 shall be converted into dollars of the Republic of Korea by means of payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition that they furnish either to the Depository or through one of the aforementioned Agents a certificate showing their residence together with a copy of the Certificate of Incorporation, in the case of corporations, or a copy of the passport in the case of individuals. These documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 27.50 per cent Korean non-resident withholding tax will be retained.

Depository: Morgan Guaranty Trust Company of New York
35 Avenue des Arts, 1040 Brussels

J.P. Morgan

COMPANIES AND FINANCE: UK

Strong demand for components and sale of manufacturing side behind advance

Former Farnell almost doubles to £110m

By Christopher Price

Strong demand for electronic components and a one-off gain from a disposal helped the former Farnell Electronics, recently renamed Premier Farnell, to an 87 per cent rise in pre-tax profits last year.

The distribution group, which earlier this year more than doubled its size with the £1.5bn (\$2.7bn) purchase of Premier Industrial of the US, reported pre-tax profits of £110.9m (\$59.2m) in the 12 months to January 28, including a gain of £35.5m from the

sale of the manufacturing operations.

Turnover included a £15.7m contribution from Combined Precision Components, bought in May.

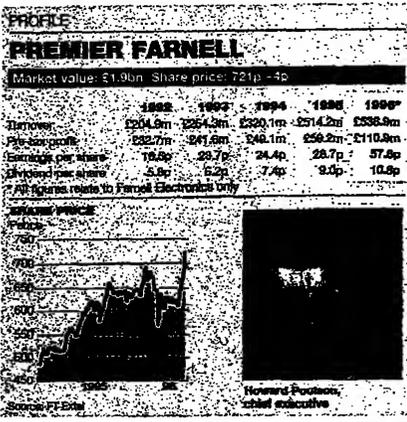
Strong demand for volume electronic components to the group's large customers weakened in the fourth quarter as competition in the UK market intensified. Continental European sales also weakened towards the year-end, with sluggish French and German economies.

In the catalogue distribution business, European sales were

strong, with margins also being maintained. A new sales and distribution facility was opened in Singapore, with an additional sales office opened in Malaysia.

Net cash stood at £59.6m (£13.7m), after taking into account £11.2m of costs relating to the Premier deal.

Mr Howard Poulson, chief executive, said the management was concentrating on integrating the merged group's operations. A new management structure was being studied with an announcement expected next month.



City's IT spending set to increase by 10% to £2.2bn

By Christopher Price

Information technology expenditure in City dealing rooms is forecast to rise by 10 per cent to £2.2bn (\$3.4bn) this year, with half the amount being spent on the purchase of new systems.

The figures, which also predict expenditure of £1.1bn on technology running costs, are included in the 1996 UK Dealing Room Survey by Kinsey Consulting*, a London-based financial technology consultancy.

Part of the increase in IT expenditure is attributed to a rise in new dealing positions, which have risen for the first time in nine years. The report estimates that there are 27,000 dealing positions in the UK.

Demand for new dealing room technology remains "buoyant", with about half of UK dealing rooms having undertaken some upgrade during the last 12 months. This compares with the same number last year, 36 per cent in 1995 and 23 per cent in 1992.

The report also forecasts that

demand for new dealing room technology will remain firm, with about 29 per cent of UK dealing rooms planning to upgrade a large part of their technology infrastructure during 1996.

The survey also found that Internet usage was still a very limited part of the trading process. This was mainly because of concerns over security and limited knowledge.

*1996 Dealing Room Survey, Kinsey Consulting, 70 Collins Drive, Eastcote, Ruislip, London.

Prudential interested in Friends Provident

By Alison Smith, Investment Correspondent

Prudential, the UK's largest life assurance group, has emerged as a late contender to buy Friends Provident, a mutual life insurer, which is expected to decide its future this week.

Directors of Friends Provident, which analysts estimate to be worth £750m to £1bn (\$1.52bn) are meeting in the next few days to consider a number of possible offers from leading financial services groups.

Those which have expressed interest include Sun Alliance, the composite insurance group, and Abbey National, the home loans and banking group.

Both organisations were also among those interested in buying Clerical Medical, a mutual life insurer which announced last month that it was accepting an £800m offer from Halifax Building Society.

Friends Provident, which has about £15bn in funds under management, has stated its readiness to stop being a mutual organisation if this helped its business strategy.

Smiths' purchases follow growth strategy

By Stefan Wagstyl, Industrial Editor

Smiths Industries, the aerospace, medical and industrial equipment group, is spending £68.6m (£105m) to take over two companies, one making electrical conduits, and the other ventilation equipment.

Smiths, which has made acquisitions a core element of its expansion plans, will incorporate the businesses in its industrial equipment division.

Sir Roger Hurn, chairman and chief executive, said: "The industrial group has become a much more clearly focused operation in recent years and we are buying two businesses here which ideally complement that strategy."

The bigger of the two purchases is Air Movement, a manufacturer of ventilation equipment for offices, warehouses and factories. It employs 850 and has a national distribution network of 20 offices called Fans and Spares which handles products including Smiths' Vent-Asia fans.

Smiths is paying £47.3m for the family-owned business, which has net assets provisionally valued at £17m and made pre-tax profits of £5.5m in the year to March 31 1995.

Smiths is also buying Adseptex, a maker of conduits for protecting wiring in industrial sites.

It had net assets last June of £5.3m and reported profits in the year to June 30 of £2.4m pre-tax. The purchase price is £21.3m.

Sir Roger said the two would add sales of about £50m to Smiths and would make "a useful contribution" to profits after taking into account financing costs in their first full year with Smiths.

Smiths last week reported a 19 per cent increase in pre-tax profits to £69.5m on sales of £466m for the six months to February 3. About half the gains came from two earlier acquisitions, including FRB, a maker of specialised electrical connectors.

The two purchases take Smiths' spending on acquisitions to about £470m since 1991, £240m of it spent in the industrial division and most of the rest in medical equipment. Spending in aerospace is concentrated on research and development.

Like many previous deals, yesterday's acquisitions were the result of friendly approaches from companies Smiths knew. Analysts said the acquisitions seemed to fit the existing group well. Smiths' shares closed down 8p at 720p.

DIGEST

Sears sells Dutch retailer for £47m

Sears, the UK retail group, yesterday continued its refocusing drive with the £46.6m (\$71m) sale of Hoogenbosch Beber, the leading Dutch shoe retailer. The disposal ends Sears's 25 year involvement in continental European shoe retailing.

The purchasers are a management-led team backed by CVC Capital Partners and CINVEN. Five retail chains - are being acquired, less - 296 of them in the Netherlands - are being acquired. Hoogenbosch made a £1.6m pre-tax profit on sales of £70m in the 12 months to February 3. Net assets sold amount to £70m, the 12 months to February 3. Net assets sold amount to £70m, the 12 months to February 3. Net assets sold amount to £70m, the 12 months to February 3.

Everest agrees McCain bid

Shares in Everest Foods jumped 30p yesterday to 105p after the frozen potato products specialist accepted an offer of 110p a share from McCain Foods, the wholly owned UK subsidiary of McCain Foods Group, the family-owned Canadian company.

The bid values Everest at about £28m (\$43m) and represents a 39 per cent premium to the market price on April 19 of 79p, the last day of dealing before the announcement.

For the six months to November 30, it reported pre-tax profits of £1.7m on turnover of £17.4m; net assets on that date were £16.9m.

Mr George Sanders, chairman of Everest, said since the interim results the trading outlook had deteriorated and it had become apparent that the future of the company "would be best assured as part of a larger food manufacturer".

McCain said the "generous" offer took into account the strategic benefit of Everest and that Everest was a good fit with its existing UK facilities.

Wellman in \$17m ESP buy

Wellman, the engineering and transport group, has acquired ESP, based in Connecticut, for \$17.1m cash. ESP has engineering facilities in Tucson, Arizona, and small wholly owned subsidiaries in Mexico, Germany and the UK. Its main business is supplying products and services for testing motor vehicle emissions.

For the year to December 31, ESP reported pre-tax profits of \$1.5m on turnover of \$21m. It expects a significant increase in business as a result of new American legislation on emissions.

Mr Alan Baxter, chief executive of Wellman, said the acquisition offered synergy benefits and an entry into the US for its Crypton diagnostic equipment.

Mid Kent bid judgment today

A High Court judge will today decide whether to hold up plans by two French conglomerates to bid for Mid Kent Holdings, one of Britain's smaller water companies.

Mid-Kent has challenged the proposed takeover on the grounds that General Utilities, the UK subsidiary of France's Compagnie Générale des Eaux, gave legally binding undertakings to the trade secretary in 1991 not to increase its stake in Mid Kent from 19.5 per cent. General Utilities wants to bid for the rest of the company with Saur Water Services, which owns another 19.4 per cent of Mid Kent and is a subsidiary of the Bouygues conglomerate's Saur International.

Both GCE and Saur already own a number of stakes through their UK subsidiaries in England's smaller water-only companies. They say, if they manage to acquire Mid Kent, it is to split it into two. Its eastern half would be subsumed into GCE-owned Folkestone and Dover Water Services, and the western half would go to South East Water, which is owned by Saur.

Cater Allen money funds

Cater Allen, the financial services group, is to launch two money market funds aimed at small and medium-sized UK companies and institutions. One will be a sterling fund, the other a dollar fund, and others could follow.

The funds will be managed by Cater Premium Treasury Management, a joint venture between Cater Allen and Premium Management, a fund management company which specialises in the insurance market.

The launches are part of a trend towards more specialised and diversified cash management in the wake of last year's collapse of Barings. That episode persuaded institutions that leaving cash on deposit with a few banks was a risky strategy.

ASTRA

Astra acquired a research and development operation with nearly 900 employees in the U.K. and the U.S.

An application for registration of Pulmicort Turbuhaler was submitted in Japan.

A new research unit was established in Boston, Massachusetts, USA.

Astra initiated cooperation with four research companies in the U.S. focusing on new biological technologies and/or mechanisms.

The Board of Directors decided to apply for a listing of Astra's ADRs on the New York Stock Exchange in 1996.

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Astra AB will be held at 6 pm on Monday 13th May 1996 at the Stockholm International Fairs and Congress Center, Ålvsjö.

NOTICE OF ATTENDANCE

Shareholders recorded in the Swedish Securities Register (VPC AB) on Friday 3rd May 1996 will be eligible to participate in the Annual General Meeting. Shareholders wishing to attend must notify the Company not later than 3 pm Swedish time on Wednesday 8th May 1996, by mail at the following address: Astra AB, S-151 85 Södertälje, Sweden, or by telephone int. +46-8-553 260 00.

Shareholders whose shares are registered in nominee names must, if they wish to participate in the Meeting, be temporarily recorded in the shareholders' register at VPC AB. Notice must be given to the nominee in ample time before 3rd May 1996.

A shareholder may attend and vote at the Meeting in person or by proxy. However, in accordance with Swedish practice, the Company does not send forms of proxy to its shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company.

AGENDA

1. Matters which, in accordance with the articles of association, are to be dealt with at annual general meetings of the shareholders, including presentation of the annual report and the auditor's report as well as the consolidated financial statements and auditor's report on the Group; resolutions regarding the adoption of the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet; appropriations with regard to the Company's profits or losses according to the adopted balance sheet; discharge from liability of the members of the Board of Directors and the President; and the election of the board members and auditors.

2. The Board of Directors' proposed resolution concerning an amendment to the articles of association through an addition to article 4, as a result of provisions introduced into the Swedish Companies Act, governing, inter alia, pre-emption rights in the event of cash issues and bonus issues (the proposed addition is indicated in italics):

"§4. The share capital shall be not less than seven hundred and fifty million kronor (SEK 750,000,000) and not more than three billion kronor (SEK 3,000,000,000).

Shares may be issued in two classes, designated Class A and Class B. Class A shares may be issued in an amount not to exceed 1,200,000,000 and Class B shares may be issued in an amount not to exceed 1,200,000,000.

Upon voting at meetings of the shareholders, each Class A share shall carry the right to one vote and each Class B share shall carry the right to one-tenth of one vote.

The shares shall possess identical rights to shares in the Company's assets and earnings.

If the Company resolves upon the issuance of new shares of series A and series B by means of a cash issue, each holder of shares of series A and series B shall have a pre-emption right to subscribe for new shares of the same class in proportion to the number of shares held by him

prior thereto (primary pre-emption right). Shares which are not subscribed for pursuant to primary pre-emption rights shall be offered for subscription to all shareholders (secondary pre-emption right). In the event shares so offered are insufficient to satisfy subscriptions pursuant to the secondary pre-emption right, the shares shall be apportioned between the subscribers in proportion to the number of shares held by them prior thereto and, to the extent that this cannot occur, through the drawing of lots.

If the Company resolves upon the issuance of new shares through a cash issue of shares of series A only or series B only, all shareholders, irrespective of whether their shares are of series A or series B, shall have pre-emption rights to subscribe for new shares in proportion to the number of shares held by them prior thereto.

The aforementioned shall not constitute any restriction upon the power of the Company to resolve upon a cash issue of new shares which derogates from the shareholders' pre-emption rights.

In the event of an increase in share capital through a bonus issue, new shares shall be issued of each class of share in proportion to the previous number of shares of such class. In such event, the old shares of any given class shall convey the right to new shares of the same class. The last-mentioned shall not constitute any restriction on the power of the Company to issue shares of a new class by means of a bonus issue, subject to any requisite amendments to the articles of association."

3. The Swedish Shareholders Association's (Sveriges Aktiesparares Riksförbund) proposal that a nomination committee be established within the Company. The nomination committee should according to the proposal include representatives of both minor and major shareholders. The duties of the committee would be to nominate persons suitable to be appointed at the next annual general meeting of the Company to serve as members of Astra AB's Board of Directors, to propose auditors, and to present proposals in respect of the remuneration of the Board of Directors, and auditors' fees.

The Board of Directors has received the following proposal:

- re-election of Bo Berggren, Claes Dahlbäck, Henry Danielsson, Harry Faulkner, Tony Hagström, Håkan Mogren, Erna Möller, Lars Ramqvist and Marcus Wallenberg;
- that a fixed sum of SEK 2,250,000 be paid to the Board of Directors, to be divided by the board amongst its non-executive members;
- the re-election of Bo Lindén and Lars Östman as auditors;
- the re-election of Bo Magnusson and Svanne Forsberg as alternate auditors.

The proposal is supported by shareholders who, together, represent approximately 40% of all of the outstanding votes in the Company.

DIVIDEND

The Board proposes Friday 17th May 1996 as the record date for entitlement to the dividend proposed in respect of 1995. Subject to approval of the Board's proposal by the Meeting, dividends are expected to be mailed by VPC AB on Friday 24th May 1996.

Södertälje, Sweden, April 1996
Board of Directors
ASTRA

Government Fixed Income turns West

EURO DISNEY S.C.A.

30% IMPROVEMENT IN NET RESULT
(First half ending March 31, 1996, reflecting the low season)

Key figures (FF millions)	1996	First half 1995	Fiscal year 1995
Revenues: Park and Resort	1,900	1,678	4,572
Income/(loss) before lease and financial charges	59	(82)	467
Net income/(loss)	(169)	(241)	114

- First half revenues increased 13%
- First half result before lease and financial charges positive for the first time
- Net result improved 30% despite increased financial charges due to the planned reduction of benefits from the 1994 financial restructuring

Commenting on these results, Philippe Bourguignon, Chairman and Chief Executive Officer said:

"This improvement in results reflects our strong commercial performance, notably in the hotels. Of particular significance is that it comes at a time when many tourist destinations are experiencing tough market conditions. Despite this difficult environment, we have been able to compensate for the increase in financial expenses. Finally,

we are continuing to reduce the effects of seasonal fluctuations in demand."

For more information, please contact Investor Relations, Euro Disney S.C.A., BP 100, 77777 Marne-la-Vallée, France. If you are a shareholder, you can also benefit from the many privileges of the Euro Disney Shareholders' Club. Please contact the Club by telephone: (33-1) 64 74 36 30.

سكوت الامل

COMPANIES AND FINANCE: UK

LIG acquires Aladan in \$70m deal

By David Blackwell

London International Group, the condom and rubber glove manufacturer, yesterday announced a \$69.5m acquisition that will give it a significant share of the US medical examination glove market. It is paying \$81.2m cash and issuing 4.4m new shares for Aladan Corporation, an Alabama-based private company founded in 1967. The deferred consideration of \$9.8m depends on performance. LIG shares closed yesterday up 8p at 128p. Analysts welcomed the deal, suggesting it marked the completion of the group's return to health. Aladan has net assets of \$29.2m and made operating profits last year of \$10.5m on sales of \$85.9m. Mr Nick Hodges, LIG chief executive, said that Aladan was able to make both condoms and rubber gloves at its two plants - technology that was not available to LIG, which uses different plant for each product. However, LIG

was the world leader in powder-free gloves, and would be investing £10m over two years in order to apply its patented technology to Aladan's gloves. The group would then be the world leader in powder-free surgical and examination gloves. Aladan has a 13 per cent share of the US examination glove market, the world's largest. LIG is also confident of retaining Aladan's contract with the US Agency for International Development for unbranded condoms. The contract is for 250m condoms a year for three years, but is subject to annual renewal. In the last six months, LIG has acquired condom manufacturers in Malaysia and Spain. It has also continued its disposal programme as it concentrates on the core condom and glove businesses. Mr Hodges said he was still looking at another couple of condom makers and another glove company. LIG was also in the process of selling Cook Bates, the manicure business.

Southern considers bid for NatPower

By Patrick Harverson

Southern Company, the Atlanta-based utility, was yesterday considering whether to make a hostile bid for National Power after the UK electricity generator unveiled an agreed £2.5bn (\$3.8bn) cash offer for Southern Electric, the UK regional supplier and distributor. The deal, which has yet to receive government approval, could deter Southern from bidding for National Power because the US group, which already owns a UK regional supplier in Swed, fears a bid for the generator and Southern Electric would run into regulatory and political opposition. The chances of Southern launching a hostile bid for National Power were now only 50-50, said an executive close to the group last night. However, any bid is unlikely to come until after Mr Ian Lang, the trade and industry secretary, has ruled on the Monopolies and Mergers Commission's report into the National Power takeover of Southern Electric and rival generator PowerGen's offer for Midlands Electricity, another regional supplier. National Power hailed its agreed bid for Southern Elec-

tric as a big step in its strategic realignment into an integrated international power company. It said the deal would be earnings enhancing, and would "create scope" for returning further value to shareholders through a more aggressive dividend policy. However, Southern's advisers yesterday attacked the Southern Electric deal, arguing National Power had been panicked into overpaying for the regional supplier as a defensive measure against a possible bid from the US group. National Power agreed to pay 960p a share for Southern Electric, whose shareholders will also receive a 26.3p special interim dividend. The generator's original offer for Southern Electric last October was £10.10p a share, but since it lapsed following the deal's referral to the MMC the supplier has changed its share structure, paid shareholders a special dividend and a one-off distribution from the sale of its share in the National Grid. According to National Power, these changes meant its original offer was worth about 854p a share on a like-for-like basis. Lex, Page 16

Analysts go sweet on food group as it turns in strong interim results ABF beats forecasts to £198m

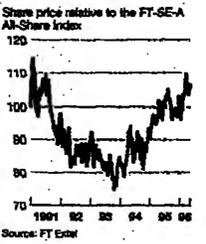
By Roderick Oram, Consumer Industries Editor

Associated British Foods yesterday beat analysts' forecasts for its interim pre-tax profits thanks to an surge in its retailing businesses and higher profits at British Sugar. Pre-tax profits rose 14 per cent to £198m (\$300m) on sales up 19 per cent at £2.68bn, but the company warned that second-half growth was unlikely to be as strong. The strong result and a 55m increase in its net cash to £454m over the past 12 months intensified City speculation about ABF's acquisition plans. "With shareholder funds of

£2.5bn and a cash mountain of £700m by the end of the year, they could do something major league," said Mr David Lang, food analyst with Henderson Crosswhite. Further investment in food ingredient companies, particularly abroad, were the most likely target. Mr Garry Weston, executive chairman, has indicated an unwillingness to invest much more in businesses selling directly to British supermarket chains. He believes they exercise too much power over their suppliers. Operating profits from manufacturing in the 24 weeks to March 2 rose 12 per cent to

£147m on sales ahead 23 per cent to £1.97bn. Included was British Sugar, where profits were up £3m at £37m on sales up 2 per cent to £419m. Sugar benefited from devaluation of the green pound and forward buying from customers ahead of a price increase. ABF, the UK's largest baker, increased milling and baking profits by 5m on an undisclosed base thanks to a small price increase and improved efficiency. Profits from retailing rose 55 per cent to £24m. The main factor was an improved performance from Primark, its discount textile retailer. It benefited from a 40 per cent

Associated British Foods



Source: FT Estimate. Increase in the number of its UK stores.

RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total for year	
Assoc. British Foods	2,678 (2,248)	198 (173)	14.3 (12.8)	4.25	Sept 2	4.25	-	8.75	
Blatch Milling	0,888 (0,515)	0,114 (0,334)	0.91 (3.08)	0.75	Aug 27	0.71	0.75	0.71	
Green (America) #	222.3 (252.3)	15.9 (15)	1.91 (20.4)	8.55	-	8.25	14.875	14.175	
SES	422.8 (347.2)	25.3 (18.4)	28.51 (27)	8.6	July 10	8.3	13.1	12.7	
Enrolment	288.6 (30.2)	924.9 (266.9)	- (-)	-	-	-	-	-	
FB #	12.7 (12.2)	1.07 (1.02)	2.86 (2.45)	0.5	Aug 30	0.4	0.5	0.4	
Lowland	30.7 (41.2)	833.4 (618.4)	3.55 (3.71)	0.8	-	0.8	0.8	0.8	
London & Am Prods	5.1 (4.8)	1.73 (1.7)	1.87 (1.97)	0.87	Aug 30	0.53	0.72	0.68	
Priddy Farms	538.9 (514.2)	110.8 (99.2)	57.81 (58.7)	6.2	July 2	5.2	10.8	9	
Reed Executive	150.2 (115.3)	8.32 (8.39)	11.1 (7.6)	1	July 19	1	2	2	
Harmon	2.4 (2.1)	4.02 (2.2)	8.49 (5.24)	1.25	July 1	1	1.5	1	
Union Sugars	0.79 (1.43)	0.478 (2.3)	1.34 (0.8)	-	-	-	-	-	
Investment Trusts	NAV (p)	Attributable Earnings (p)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total for year	
Lowland	5 mths to Mar 31	233.7 (291.8)	1.05 (1.08)	4.42 (4.5)	4	June 7	3.5	-	10.5
Mercury Mayhew	5 mths to Mar 31	810.59 (830.5)	3.6 (1.55)	25.36 (10.8)	6	June 20	5	-	17.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *Equivalent after allowing for scrip issue. #British currency. After exceptional charge. After exceptional credit. 10c increased capital. Post tax. *Comparatives restated. †Comparatives for year to March 31.

Organic growth puts WPP ahead

Strong organic growth helped WPP, the advertising and public relations group, increase revenues for the first quarter of 1996 to £390m, a 13 per cent rise. Gross profit also rose by more than 13 per cent. Virtually none of the revenue growth came from acquisitions: on a like-for-like basis revenues and gross profit rose by 10 per cent. The fastest growing regional markets were Asia/Pacific, Latin America, Africa and the Middle East, which showed 14 per cent growth and contrib-

uted 18.4 per cent (16 per cent) of group revenue. The North American market also performed above the group average, at 14 per cent, but the UK slowed. The company warned of "some variability in the pattern of future revenue growth" because of the combination of a lack of the feel-good factor and high levels of unemployment in the slower growing mature economies. Net debt in the first quarter averaged £156m (£204m). The shares fell 1p to 210p.

UK and European Equities travel West

To the shareholders of Great Nordic Ltd.

The ANNUAL GENERAL MEETING of the Company will be held on Tuesday May 7, 1996 at 3.30 pm at Industriens Hus, H.C. Andersens Boulevard 18, DK-1596 Copenhagen V.

- The Agenda is as follows:
- Report on the Company's activities
 - Presentation of the annual financial statements for approval, discharging the Board of Directors and the Executive Management from their obligations
 - Resolution for the distribution of the net profit for the year, including the declaration of a dividend on Company shares
 - Resolution that the Board be entitled to acquire up to 10 per cent of own shares
 - Election of Board members
 - Appointment of two auditors for the current financial year.

From Monday April 29, 1996 the agenda and the full and complete resolutions to be proposed at the Annual General Meeting, as well as the financial statements, the Auditors' Report and the Report of Directors, will be available for shareholders' inspection at the Company's registered office on the third floor of Kongens Nytorv 26, 1016 Copenhagen K, and at the Company's bankers in London. Not later than eight days prior to the Annual General Meeting, the above material will also be posted to the registered address of every shareholder on the Company register.

Admission cards to the Annual General Meeting will be available on request from the Company's office from Monday to Friday between 10 am and 4 pm, up to five days prior to the Annual General Meeting, to any shareholder who can prove a good title to his shares. As far as bearer shares are concerned, the shareholder shall prove his title to such shares by presenting a statement of his holding of Company shares as of April 25, 1996 issued by the bank in which his shares are held.

Any right to vote shall be conditional upon the voting share being registered in the name of the shareholder and upon the shareholder being entitled to attend the meeting pursuant to the above-mentioned provisions. Where the shareholder has acquired the share by way of transfer, the share shall additionally have been registered in the name of the shareholder for not less than three months prior to the date of the Annual General Meeting.

Copenhagen, April 22, 1996
The Board of Directors

U.S. \$300,000,000

Province of Québec
Floating Rate Notes Due 2001

Interest Rate: 5.5% per annum

Interest Period: 23rd April 1996 to 23rd October 1996

Issued Amount: \$300,000,000

U.S. \$ 10,000,000
U.S. \$ 10,000,000

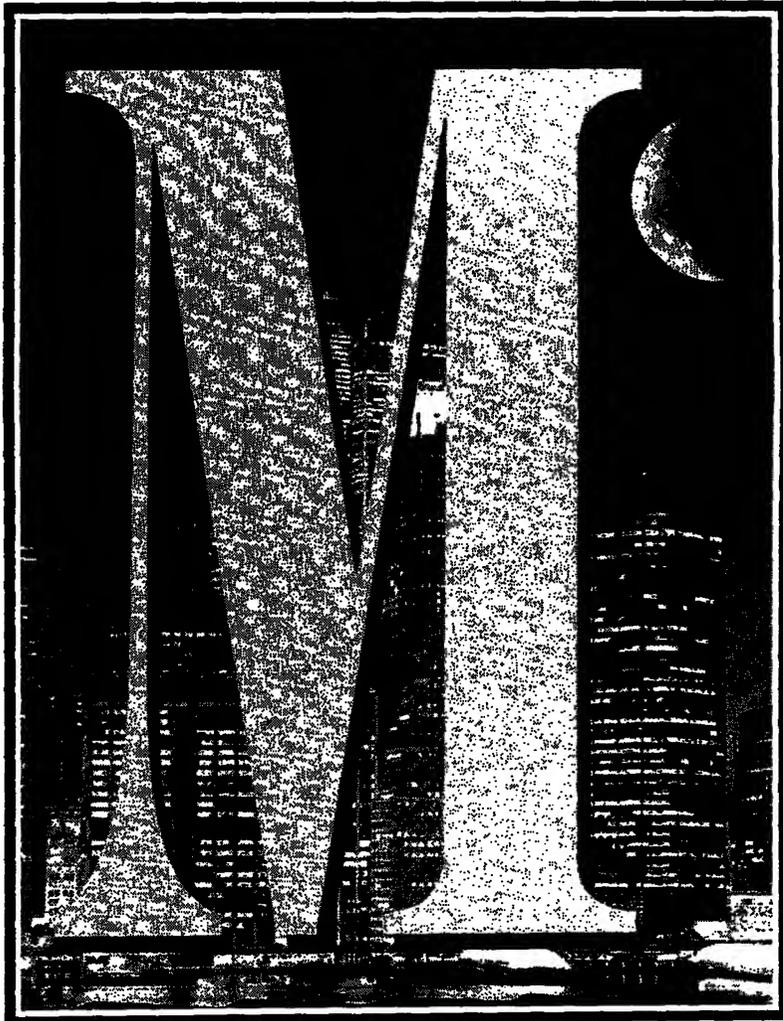
U.S. Trust Bank, Agent

Notice of Resignation
To the Holders of
Honda Motor Company, Ltd.
U.S. \$80,000,000
5.5% Convertible Bonds due 1997

NOTICE IS HEREBY GIVEN that in compliance with the Conditions of the Bonds, Morgan Guaranty Trust Company of New York, New York has resigned as Paying Agent and Registrar.

Such resignation shall become effective as of 20th April, 1996.

By: Honda Motor Company, Ltd.
Dated: April 23rd, 1996



is for Midnight Oil

We never stop working on our clients' behalf. In 38 cities, in 30 countries, we've one common work ethic. To never be complacent. To never take relationships for granted. And to work until the job is done. To your satisfaction. And ours.

INVESTMENT BANKING. FROM A TO



LAW

Power stations' funds challenge

The challenge by Greenpeace and 15 other individuals and organisations for the annulment of a European Commission decision to give financial assistance to Spain for the construction of two power stations on the Canary Islands has been ruled inadmissible by the European Court of First Instance.

The applicants sought an order from the court that the commission decision to give further sums was void on the basis that Spain had failed to comply with community environmental law and policy, in particular the Environmental Impact Assessment Directive.

The commission, supported by Spain, challenged the admissibility of their claim.

The court considered whether the applicants had standing to bring the action, dealing first with the position of the individuals.

It reiterated its earlier case law, which established that persons other than the addressee of a decision could claim that the decision was of direct concern to them only if it affected them by reason of certain attributes which were peculiar to them, or by reason of factual circumstances which differentiated them from all other persons.

The applicants argued the court should free itself from the restrictions which that case law imposed, and concentrate on the sole fact that the applicants had suffered or potentially would suffer detriment or loss from the harmful environmental effects arising out of unlawful conduct on the part of the European Union. They stressed their interests affected by the contested decision were not economic, as had been the case in most judgments on this point.

However, the court concluded that the essential criterion applied in earlier cases remained applicable whatever the nature of the applicants' interests affected. The criterion which the applicants sought to have applied might affect generally and in the abstract a large number of persons who could not be determined in

advance in a way which distinguished them individually. That broader criterion could not therefore be accepted.

The 15 private individual applicants relied either on their objective status as "local resident", "fisherman" or "farmer", or on their position as persons concerned by the consequences which the building of two power stations might have on tourism, on the health of Canary Island residents and on the environment.

They did not rely on any attribute substantially distinct from those of all the people who lived or pursued an activity in the area. The applicants therefore were not affected by the contested decision in such a way as to differentiate them from all other persons.

Three of the individual applicants had earlier submitted complaints to the commission in relation to the building of the power stations, but the court held that merely submitting a complaint and subsequently exchanging correspondence with the commission did not give a complainant standing. The claims of all of the applicants who were private individuals were therefore held inadmissible.

In respect of the associations, including Greenpeace, the court said it had consistently been held that an association formed for the protection of the collective interests of a category of persons could not bring an action for annulment where its members could not do so individually.

Special circumstances might justify holding admissible an action brought by an association whose members were not directly and individually concerned by the measure.

However, the correspondence and meeting which had taken place between Greenpeace and the Commission in the present case was for the purposes of information only and could not constitute such special circumstances. The associations' application was also declared inadmissible.

T-585/93: Stichting Greenpeace Council and others v Commission, CFI ICH, August 9 1995.

BRICK COURT CHAMBERS, BRUSSELS

Miyahara steps up at Sumitomo

Sumitomo Corporation, one of Japan's top general trading companies, has nominated Keiji Miyahara, a veteran of its US business and current vice-president, to become president, the top executive job, next June.

Miyahara, 60, has worked his way through Sumitomo's ranks since joining as a graduate in the steel tube trading division 37 years ago. He succeeded Tomichi Akiyama, 66, who is stepping aside after the usual six years as president to take the job of chairman, an honorary role.

The new president, a fluent English speaker, is said by Sumitomo officials to have an international turn of mind, a consequence of two postings in New York.

He takes over during a turnaround in the fortunes of Sumitomo, which derives 80 per cent of its turnover from trading in metals, machinery and fuels. Sales have declined in the past four years to an unconsolidated ¥16,500bn (\$154.6bn) in the year to March 1995, to an estimated ¥16,000bn in the 12 months just ended, a consequence of falling commodity prices and the weakness of Japanese domestic demand. However,

Tokyo equity analysts expect a revival in requiring profits - before tax and extraordinary items - this year, to ¥22bn from ¥38bn in the year to March 1995, thanks to capital gains from its equity portfolio, cost cutting and a rise in sales of steel goods to Asia. *William Dawkins*

Trafalgar directors go

Nine directors are leaving Trafalgar House in a boardroom clear out, following its £904m takeover by Kvaerner, the Norwegian engineering and shipbuilding group.

Among those leaving the UK construction, engineering and shipping conglomerate are Simon Keswick, chairman, and Nigel Rich, group chief executive. Three directors, however, are to remain on the board of the Kvaerner subsidiary.

Peter Ward, chairman of Cunard, pictured above, is to continue with his restructuring of the troubled shipping line - which gives an indication that Kvaerner might be pulling back from a rapid sale of the loss-making business.



INTERNATIONAL PEOPLE

Since arriving at Trafalgar last year, Ward has indicated that it could take more than two years to return Cunard to profit.

John Fletcher, the Trafalgar director responsible for business development and marketing, will continue to work for Kvaerner from his base in Hong Kong. Alan Winter, meanwhile, is to continue overseeing Trafalgar's commercial property.

Kvaerner said Nigel Rich, David Gawler, finance director, and James Watkins, legal director, would also remain temporarily to see through the integration.

Once the takeover has been fully completed, they will leave the company and should receive compensation for loss of office.

Kvaerner said all Trafalgar's non-executive directors had resigned. They were Sir Charles Powell, non-executive deputy chairman, Dick Evans, Sir Archibald Foster, Rodney Leach and Bob Stenham. *Tim Burt*

Fuji chooses Tanaka

The choice of Takeshi Tanaka as the new president of Fuji Heavy Industries comes as no surprise to those who are familiar with the company.

Tanaka, 60, who has been vice president since last June, joined the company in 1990, with Isamu Kawai, the current president, from Nissan. It was part of an effort by the latter, Fuji Heavy's largest shareholder with a 4.2 per cent stake, and the industrial per cent stake, and the industrial bank, to try to return the loss-making vehicle maker to profitability.

Known for his capacity for hard work, Tanaka is also well-regarded within Fuji Heavy, where his gentle manner and amiable personality have won him loyal support.

For more than 20 years, Fuji Heavy has welcomed presidents in turn from Nissan and IBM. Tanaka's appointment as the second consecutive president from Nissan has thus triggered speculation that the cooperative relationship between Nissan and Fuji Heavy will be strengthened.

Fuji Heavy, which has made vehicles for Nissan on an original equipment manufacturer basis, could be further integrated into the Nissan group, in an ongoing restructuring of the Japanese vehicle industry. *Michiko Nakamoto*

Barrett takes charge

Roy Barrett's appointment as the new managing director of Goodbody, the stockbroking arm of Allied Irish Bank, is just the latest attempt by Ireland's largest bank to try to recreate its market dominance in banking in its brokerage subsidiary.

Barrett, currently head of equities, is the fourth and since the company was taken over by AIB in 1993.

Rather than institutional sales, or private clients, Irish houses rely on corporate finance and client fund raising for much of their fee income. Barrett has been appointed to recoup some of the ground lost in this area to some of the ground lost in this area to its key rival Davy, Egan & Ireland's 10 broking subsidiary. Of Ireland's 10 largest listed companies, eight are handled by Davy. AIB is currently Goodbody's only large client.

Barrett, although young even by the standards of Irish finance houses, was head of international equities at NCB brokers having worked in London with SG Warburg and Paribas. At NCB, he was widely credited with attracting foreign institutions into Irish equities. He left the company shortly after NCB was taken over by Ulster Bank.

Since his arrival at Goodbody, the firm has demonstrated its corporate finance skills, successfully selling the remaining 15 per cent of the government's shares in Irish Life, the country's largest life and assurance company. *John Murray Brown*

ON THE MOVE

■ Robyn Ahern, 40, has been appointed a director of BANKWEST, with effect from May. She is currently chief operating officer of Ahern Holdings, a private company of five department stores in Perth. BankWest is now controlled by Bank of Scotland.

■ KONINKLIJKE PTT is to appoint PTT Telecom BV executive vice-president Paul Smits, 49, to the management board, from September 1996. He will initially remain a member of the Unisource supervisory board. Johan Kooij, 47, PTT Telecom's Network Services managing director, will be appointed to the board of PTT Telecom, from June, assuming most of Smits' responsibilities.

■ Roger Prain has been appointed chairman of BANQUE VERNES and Serge Dassault becomes deputy chairman, following the death of the bank's former chairman, Jean-Marc Vernes.

■ Lutz Mellinger, a member of the management of the Munich branch of DEUTSCHE BANK, has been appointed chief executive of mortgage unit Frankfurter Hypothekbank Centralboden AG. He replaces Bernd Rohrer, who will retire on July 1.

■ Robert Jeffe, 45, and Thomas Barber, 40, have been appointed by CS First Boston as managing directors in the investment banking department, based in New York.

■ Otto Gmeiner, 40, is taking over the management of EMAP DEUTSCHLAND. He will also belong to the management board of EMAP Business Communications of London and will report to new board chairman Tony Trill.

■ Nick Greiner, ex-NSW premier, has been appointed chairman of WD & HO WILLS, part of BAT Industries, following the retirement of former chairman Bob McComas.

■ BANK OF MONTREAL has announced the appointment of Renah Persofsky as president of Cebra. Persofsky becomes the founding president of Cebra, the bank's new electronic commerce company.

■ Kiran Rao, North America director of airline marketing for Airbus Industrie, has been appointed as AIRBUS INDUSTRIE president for India.

■ TEKACO has announced the formation of a new division charged with designing and implementing the company's international exploration program. This will be led by

Bruce Appelbaum, who has been appointed president.

■ James Wilkes, president of Ameritech Michigan, has been appointed chief finance and administrative officer of BELGACOM, the national telecommunications operator of Belgium. Robert Cooper, currently vice president of human resources for Ameritech cellular services, becomes president of Ameritech Michigan, succeeding Wilkes.

■ William Sims, 36, a senior executive of JVC Company of America becomes president of ZENITH SALES. He reports to Zenith president and chief executive Al Moschner.

■ Paul Davies has been appointed executive vice president of AON GROUP and vice chairman of Aon Re Worldwide, the reinsurance intermediary arm of Aon Group.

■ Martin Gilm, vice chairman of GUNZ AG has been promoted to chairman. He will continue to head the finance department. Albrecht Ehlers will now be a full member of the board and has also been appointed as Gilm's new works manager.

■ Werner Albert Schuster and Ernst Söhlen have been appointed board members at Bonn-based DSL BANK, where

they have been deputy board members since 1994.

■ Wolfgang Eckel has been appointed to the management board of FELTEN & GUILLEME, the energy technology group of Cologne. Dieter Puetz has left the firm.

■ Diethart Bretz, a board member at ALLIANZ AG of Munich, has been appointed to the supervisory board of RWE AG of Essen. He takes over from the late Wolfgang Schieren.

■ Luigi Bocanina, for many years director general of Credito Artigiano, has been appointed to the Italian holding company GEMINA to the group's board. He replaces Piero Schlesinger, who was appointed to the board in early February but resigned later in the month.

■ BANQUE SCANDINAVE EN SUISSE, headquartered in Geneva, has announced a number of changes to its management. Pierre Dejardin-Verkinden, chairman, and Arnold Meiland, the director responsible for institutional business and financial analysis, have both resigned. Gregoire Dmichert, who previously headed the bank's legal department, has been appointed to oversee operative business. Meiland has been succeeded by

Jean-Michel Gros, who was hitherto responsible for foreign institutional investors.

■ Five directors of PACIFIC FOREST PRODUCTS are stepping down in the wake of an unsuccessful takeover bid by Pacific's parent company, Avonair Inc. Those resigning are Jake Kerr, Clark Binkley, dean of forestry at UBC, Arthur Hara, chair of Mitsubishi Canada, Anthony Petrina, a West Vancouver consultant, and Brian Canfield, chairman and chief executive of BC Tel and BC Telecom. Replacing them are lawyer David Smith, John Croll, a former vice-president at Crestbrook Forest Products and Stanley Davidson, a former Bank of Montreal executive.

■ Kevin Doddrell has been appointed chief executive of ANSETT NEW ZEALAND, replacing Rick Ellis. Doddrell, formerly managing director of U-Bix Business Machines, has been in a consultancy role with Ansett for the past four months.

■ Gilles Laporte has been appointed chief executive officer of SOREMA INTERNATIONAL. This appointment is in addition to his existing role as deputy managing director and finance director of Groupama

Assurances. Gerry Boyle has been appointed as non-executive director of Sorema (UK). He will shortly retire from his position as managing director of Eagle Star UK's Commercial Business Division.

■ Martin Connell, Harley Hotchkiss, and John Lamacraft have joined the board of ALBERTA ENERGY. Connell was chairman of the board of Conwest. Hotchkiss holds directorships in Nova Corporation, Paragon Petroleum Corporation and Telus Corporation; Lamacraft was president and chief executive of Conwest.

■ Robert Struble, 32, previously director of corporate strategic management, is appointed president of the Westinghouse Wireless Solutions Company, a unit of CISCO.

International appointments

Please for announcements of new appointments and retirements to +44 171 573 3295, marked for International People. Set fax to 'line'.

RANDGOLD

SUMMARY OF GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 MARCH 1996

- GRADE IMPROVEMENT AND MERGER SAVINGS PRODUCE TURNAROUND AT BLYVOOR
- PLANT UPGRADE RESULTS IN RETURN TO PROFITABILITY BY DRD
- ERPM INCREASES PROFIT IN SPITE OF PRODUCTION PROBLEMS
- HARMONY GRADE INCREASED BUT AFTER-EFFECTS OF RETRENCHMENT REDUCE PRODUCTION

BLYVOORUITZICHT GOLD MINING COMPANY LIMITED

(Registration No. 05/09743/06)

OPERATING RESULTS	Quarter	
	31/3/96	31/1/95
Underground operations		
Ore milled - t000	232	297
Yield - g/t	6.35	5.11
Cost - R/kg	48 183	52 909
Cost - R/t milled	306.13	270.25
Surface operations		
Tonnage treated - t000	749	642
Yield - g/t	0.56	0.49
Cost - R/kg	27 548	37 425
Cost - R/t treated	15.35	18.30
FINANCIAL RESULTS (R 000's)		
Operating profit	4 991	(7 563)
Cost of cancellation of management agreement	0	(17 693)
Profit/(loss) before taxation	5 784	(24 703)
Profit/(loss) after taxation	5 784	(24 703)
Capital expenditure - net	1 469	1 617

DURBAN ROODEPOORT DEEP LIMITED

(Registration No. 01/06925/06)

OPERATING RESULTS	Quarter	
	31/3/96	31/1/95
Underground operations		
Ore milled - t000	106	86
Yield - g/t	4.44	4.03
Cost - R/kg	44 754	52 666
Cost - R/t milled	198.86	212.50
Surface operations		
Tonnage treated - t000	260	328
Yield - g/t	0.53	0.58
Cost - R/kg	46 518	41 947
Cost - R/t treated	24.51	24.24
FINANCIAL RESULTS (R 000's)		
Profit/(loss) before taxation	3 524	(2 158)
Profit/(loss) after taxation	3 524	(2 158)
Capital expenditure - net	545	455

EAST RAND PROPRIETARY MINES LIMITED

(Registration No. 01/00773/06)

OPERATING RESULTS	Quarter	
	31/3/96	31/1/95
Underground operations		
Ore milled - t000	277	254
Yield - g/t	5.96	4.90
Cost - R/kg	52 701	48 739
Cost - R/t milled	312.92	336.18
Surface operations		
Tonnage treated - t000	552	580
Yield - g/t	0.68	0.62
Cost - R/kg	24 447	24 341
Cost - R/t treated	16.54	15.02
FINANCIAL RESULTS (R 000's)		
Profit before taxation	4 262	3 889
Profit after taxation	4 262	3 889
Capital expenditure - net	10 805	16 602

HARMONY GOLD MINING COMPANY LIMITED

(Registration No. 05/30232/06)

OPERATING RESULTS	Quarter	
	31/3/96	31/1/95
Underground operations		
Ore milled - t000	1 052	1 374
Yield - g/t	3.78	3.49
Cost - R/kg	45 887	43 244
Cost - R/t milled	173.43	150.85
Surface operations		
Tonnage treated - t000	389	321
Yield - g/t	0.43	0.48
Cost - R/kg	20 269	20 555
Cost - R/t treated	8.70	9.93
FINANCIAL RESULTS (R 000's)		
Operating profit	12 177	12 702
Retrenchment cost	0	(33 948)
Profit/(loss) before taxation	18 049	(14 389)
Profit/(loss) after taxation	16 454	(16 462)
Capital expenditure - net	4 738	8 227

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مسائل الاموال

India releases more cotton for export

By Kurul Bose in Calcutta
The Indian federal government has released a further export quota of 200,000 bales (170kg each) of staple cotton in an attempt to shore up the prices of the commodity in the domestic market.

should prevent the government from attending to the problems of the cotton growers paved the way for the release of an additional export quota for the current September-August season. Up to now the government has allowed the export of 1.15m bales of cotton in six instalments, compared with last year's total exports of only 183,000 bales.

over - the federal government considers it wise to release the export quota in stages. Farmers' organisations like the Gujarat State Co-operative Cotton Sangh and the Tamil Nadu Cotton Growers Federation think that the sharp drop in cotton prices during the heavy arrival period could be avoided if the government granted a bulk export quota at the beginning of the season. Moreover, they say the government should ask the merchant exporters to complete the procurement of cotton for export by April instead of August.

Once again, the CAB seems to have been caught on the wrong foot as far as crop forecasting goes. At its February meeting, it estimated the current season's crop at 13.65m bales but a consensus is now developing that India is in the process of harvesting a record crop of nearly 14.5m bales during the 1995-96 season. This has prompted Mr. Rajubhai Desai, president of the Gujarat Rajya Khedat Samaj, to ask the government to release a minimum of 2m bales for export in the current year.

Punjab, Maharashtra and Rajasthan are much larger than last year's Gujarat has also done well in terms of crop size. But growers in Gujarat are said to have been hit a wide variation in crop quality. Farmers have so far brought over 13m bales into the market, compared with about 11m bales in the same period last year. Apart from non-sustainable fishing in European waters over the course of the next year.

Unilever in move to save fish stocks

Unilever, the Anglo-Dutch consumer products group, yesterday announced a plan to phase-out the use of fish oil derived from non-sustainable fishing in European waters over the course of the next year.

Finance arranged for Argentine mine

By Kenneth Gooding, Mining Correspondent, in El Harbour
The last obstacle facing Argentina's flagship mining project is about to be removed. Tentative agreement has been reached for US\$600m of project finance for the Alumbra copper-gold venture.

a year of copper but also 640,000 troy ounces of gold - making it South America's biggest gold producer. Mr Rath said the banks - which he would not identify at present - were willing to put up funds because Argentina emerged with flying colours from the financial turmoil in South America following the sudden devaluation of the Mexican currency late in 1994.

British pig breeders bring home the bacon

The UK may have a few problems convincing the rest of the world of the quality and safety of its beef - which is something of a paradox, because this country is an acknowledged leader in such ethical matters as traceability and animal welfare - but it has a much better story to tell about its pigs.



By David Richardson

breeding females to the world's increasingly specialised pig farmers of about 1.5m head each year. The company's growth has been dramatic. Ten years ago PIC stock represented between 3 and 4 per cent of the Western European market for breeding stock. Today it claims to supply 23 per cent in the US.

has estimated that in 1995 pork's share of the world's meat consumption was 45 per cent; beef had a 26 per cent share but was on a rising trend. The main area for production and consumption of pigmeat is Asia. China alone has 27m sows and, as its economy and population expand at far greater rates than those in the west, so too does its meat buying.

for centuries, been a traditional part of their diet. In any event PIC is setting up offices in those countries, to add to the 30 or so already operating across the world, in an effort to secure a share of the growing market for breeding stock. Other pig breeding companies are doing likewise.

Although the UK has only 1 per cent of the world's 70m sows its pig breeding companies supply an estimated 7 to 8 per cent of the genetically improved males and females that are purchased by the pig farmers of the world each year. One company alone - PIC, a subsidiary of Dalgety - is by far the biggest pig breeding company in the world and supplies 5 per cent of the market.

To maintain the world's pig herd at or around present levels requires that about 28m female pigs be kept for breeding each year. Of these, 75 per cent are home-bred; saved from slaughter by farmers who are content to maintain current quality and performance and used for breeding. Of the other 25 per cent, PIC claims one fifth and the host of other breeding companies around the world share the remaining four fifths. This leads to sales of genetically improved PIC

breeding females to the world's increasingly specialised pig farmers of about 1.5m head each year. The company's growth has been dramatic. Ten years ago PIC stock represented between 3 and 4 per cent of the Western European market for breeding stock. Today it claims to supply 23 per cent in the US.

Another area that appears to have potential for expansion of pig production is central and eastern Europe. At present the number of sows is similar to that for western Europe at about 13m. But the political upheaval across the former Soviet Union and its satellites during recent years led to steep reductions in production. Now, as some of those countries begin to rebuild their economies, it seems probable that their consumers will wish to eat more pigmeat, which has,

the UN's Food and Agriculture Organisation projects that world pigmeat consumption will increase at an average rate of 2.3 per cent a year until the end of the century but that the annual rate of increase in the economic developing world will be 4.4 per cent. In the main it is expected that the increases in commercial production to meet this extra demand will be in the regions where it is to be consumed rather than exported to them. As a producer of breeding stock that can be tailored to requirements and made available anywhere in the world, PIC is well positioned.

Oil prices 'unlikely to rise much' before 2000

Oil prices are unlikely to rise much before the year 2000 because of escalating production in countries outside the Organisation of Petroleum Exporting Countries, according to the International Energy Agency.

predicts that output from non-Opec countries will rise from 42m barrels a day to 47m in 2000. Much of this growth will come from the North Sea, leaving Opec with spare capacity. However after 2000, non-Opec sources will decline, and Opec will once again increase its share, the IEA says. The call on Opec is expected to rise from 28m barrels last year to nearly 50m by the year 2010.

US grains hit fresh highs

Trading was again very lively in the Chicago Board of Trade's grain pits yesterday morning with nearby wheat futures up the permissible daily limit at life-of-contract highs, maize prices at record highs and soybeans at seven-year highs.

Traders attributed the wheat market's strength to mounting concern about further declines in estimates of the US winter wheat crop. MAIZE prices were higher in response to the continuing briskness of export trade while domestic demand remained strong, they said, while SOYBEAN prices had moved higher in sympathy with wheat and maize.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns for metal type (Copper, Zinc, Nickel, etc.), price change, high, low, and open prices.

Precious Metals continued

Gold COMEX (100 Troy oz; \$/troy oz)

Table with columns for date, price change, high, low, and open prices for Gold, Silver, and Platinum.

ENERGY

CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

Table with columns for date, price change, high, low, and open prices for Crude Oil, Heating Oil, and Gas.

GRAINS AND OIL SEEDS

WHEAT LCE (\$/cwt)

Table with columns for date, price change, high, low, and open prices for Wheat, Maize, and Soybeans.

POTATOES LCE (\$/cwt)

Table with columns for date, price change, high, low, and open prices for Potatoes.

SOFTS

COCOA LCE (\$/troy lb)

Table with columns for date, price change, high, low, and open prices for Cocoa and Coffee.

SUGAR LCE (\$/cwt)

Table with columns for date, price change, high, low, and open prices for Sugar.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lb; cents/lb)

Table with columns for date, price change, high, low, and open prices for Live Cattle, Hogs, and Pigs.

LONDON TRADED OPTIONS

Table with columns for option type, price change, high, low, and open prices.

FUTURES DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBOT, NYCE, CME and CDSCE are one day in arrears.

Table with columns for contract name, open interest, and volume.

JOTTER PAD: A grid for writing notes, with a header and a large empty space for text.

CROSSWORD

No.9,050 Set by PROTEUS

Crossword puzzle grid with numbered squares and a list of clues for across and down words.

PRECIOUS METALS

LONDON BULLION MARKET

Table with columns for metal type (Gold, Silver, Platinum, etc.), price change, high, low, and open prices.

UNBLENDED CARBON

NYMEX (42,000 US gal; \$/barrel)

Table with columns for date, price change, high, low, and open prices for Unblended Carbon.

FUTURES DATA

All futures data supplied by CME.

Table with columns for contract name, open interest, and volume.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBOT, NYCE, CME and CDSCE are one day in arrears.

Table with columns for contract name, open interest, and volume.

INDICES

REUTERS (Base: 100/31=100)

Table with columns for index name, date, and value.

INDEXES

REUTERS (Base: 100/31=100)

Table with columns for index name, date, and value.

Solution to Saturday's prize puzzle on Saturday May 4. Solution to yesterday's prize puzzle on Monday May 6.

INTERNATIONAL CAPITAL MARKETS

Italian prices show sharp rise

By Samer Iskandar and Richard Lapper in London and Lisa Branston in New York

Italian government bond prices rose sharply on the back of expectations of greater political stability and interest rate cuts following Sunday's election.

Both foreign and domestic investors were heavy buyers of Italian bonds, with short-dated paper in particular demand.

GOVERNMENT BONDS

they expected this trend to continue in coming weeks. Trading on Life was active, with more than 86,000 June BTP futures contracts changing hands compared with 52,000 lots on Friday.

At the market digested the implications of Sunday's election, the June BTP contract surged in morning trading, reaching its day's high of 114.04 around midday.

In the cash market, yields on a benchmark two-year bond, the 9 per cent due 1998, had fallen by 35 basis points from 10.74 to 10.39.

tightening, especially at the shorter end. The 10-year spread is expected to fall in the near term to 350 basis points and possibly to less than 300 points, a level last breached more than two years ago, by the third quarter of the year.

Mr Keith Patton, portfolio manager with Fleming Investment Management, in London, estimates that the three-month spread between Italy and Germany will fall from its present level of around 555 basis points towards 400 points this year.

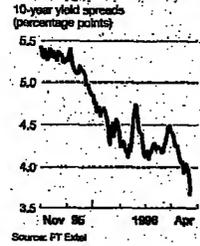
Mr Patton said the "markets could now take politics out of the equation", and concentrate on improving economic fundamentals. The government's ability to reduce its budget deficit was likely to be an immediate focus of market attention, as would be the case in the Spanish and Swedish markets.

Mr Andrew Roberts of IBS said the movement in prices had been driven by a fundamental re-rating of the inflation outlook, a situation that also applied to the Swedish and Spanish markets.

Dealers on Life cited recent shifts in options prices as evidence of increasing bullishness. According to one trader, volatility, as implied by the price of 114.04, calls has increased from 9.36 in the middle of last week to 10.53 at yesterday's close, while put volatility has declined during the same period from 10.74 to 9.42.

Swedish bonds also performed strongly. The 6 per cent benchmark due 2005 rose 0.61 to 9.94 per cent from 9.33. Five-year Swedish yields are now at the same level as UK gilts. At the beginning of the year, they offered a positive spread of 100 basis points over 5-year gilts.

Yield spread over Germany



Source: FT Intel

German bonds started the day on a strong footing and closed up, but off their highs. Life's June bond future settled at 97.12, up 0.28, after reaching a high of 97.32. Traders said market sentiment remained bullish, and several analysts expect bonds to continue outperforming the US market, once supply is out of the way.

UK gilts tracked - but lagged behind - other European markets. Life's June long gilt future settled at 106.4, up 1/8, after reaching a high of 106.52 during the session. In the cash market, the 10-year benchmark, the 7 1/2 per cent issue of 2006, ended 1/8 higher at 9.68. The 10-year yield spread over bonds widened by 3 basis points to 182 points.

The weight of a \$2bn tranche of 10-year gilts to be auctioned tomorrow tempered the effect of bullish market sentiment. However, Mr Roberts at IBS believes 10-year maturities offer "good value compared with longer maturities", at a yield discount of only 19 basis points, a six-month low. In Germany, for example, 20-year bonds yield 62 basis points more than 10-year paper.

Meanwhile, Irish gilts continued to outperform, with the 10-year yield premium of UK gilts over their Irish counterparts widening by another 2 basis points to 56. The 8 per cent bond due 2006 gained 0.65 to 10.10, yielding 7.54 per cent.

Albania grants first investment fund licence

By Marianne Sullivan in Tirana

Albania has granted its first investment fund licence to the Anglo-Adriatic Investment Fund, which is now offering to manage investments both for holders of Albanian privatisation vouchers and strategic international investors and merchant banks in Albania's privatisation process.

Mr Declan Ganley, Anglo-Adriatic's chairman, says the fund, in which Ganley International owns the majority shareholding and Rothschild Emerging Markets 10 per cent, will serve as a catalyst for foreign investment in Albania.

The fund, Mr Ganley says, will offer holders of Albanian privatisation vouchers, which are now traded on the street for some 13.5 per cent of their value, a way to manage their holdings and have more leverage over their investments.

With a reported 16 per cent increase in GDP for 1995, Albania is one of the fastest growing economies in eastern Europe. Mr Ganley says there is much interest in investment in its privatisation process from major foreign investment houses and merchant banks, especially in the areas of electricity, telecommunications, mining and tourism - some of which have yet to be included in the country's privatisation process.

IBCA expands

IBCA, the European credit rating agency, has taken a 75 per cent stake in Quest Insurance Research, a UK-based insurance rating and research company, writes Richard Lapper. IBCA currently rates insurance companies in South Africa but will now provide ratings on the European insurance market.

Explosion of activity in five-year D-Mark sector

By Connor Middlemore

The D-Mark sector saw an explosion of activity, culminating in more than DM2bn of new issuance - all of it in the five-year maturity and targeted mainly at retail accounts.

Companhia Energetica de São Paulo, Brazil's largest power station, made its debut in D-Mark with DM1bn of bonds priced to yield 398 basis points over bunds. Investors seemed undaunted by the size of the offering, which saw good demand from retail accounts across Europe, said an official at Commerzbank, joint lead manager with CS First Boston.

The bonds are guaranteed by the Republic of Brazil, which is rated B1/B2.

Baden-Württemberg LP Finance started the bond of D-Mark deals with a DM500m offering priced at 32 basis points above bunds, which saw good demand but may take a while to place because of its size.

A DM250m issue for Austria came at 35 basis points over bunds. Although this was a significantly tighter than the

equally triple-A rated L-Bank issue, lead manager BZW argued that sovereigns command tighter spreads; that the pricing was the same as a recent World Bank issue; and pointed out that Austria's rating value was reinforced by the fact that this was its last international bond issue this year.

Alps wants to redeem \$322m of A-class bonds at a premium to their market value, but because early redemption is not permitted under the terms of the bonds, it is convening a bondholders' meeting with the aim of approving early redemption or inserting a put option in the documentation which would allow investors to redeem their bonds early.

To pay for early redemptions, Alps plans to issue new bonds collateralised by the same aircraft that currently back the Alps 92-1 securities.

State-owned Electricité de France signalled its intention to make greater use of the eurobond market by announcing it had signed a \$2bn euro medium-term note programme, arranged by Morgan Stanley, Antonia Sharpe writes.

EDF, which bankers say does not have a great need for funds, has turned to the domestic bond market rather than the international market in recent years when it needed to raise funds. Its last foray in the eurobond market was in October 1995 with a DM300m five-year issue.

Lehman Brothers is leading a complex refinancing exercise for Alcoa's Lease Portfolio Securitisation (ALPS 92-1), a special purpose vehicle.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Maturity, Price, Yield, Spread, Book-runner. Lists various international bond issues including US Dollars, D-Marks, Swiss Francs, and others.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table showing benchmark government bond prices for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Sweden, UK Gilts, and US Treasury.

US INTEREST RATES

Table showing US interest rates for Treasury bills and bond yields across different maturities.

BOND FUTURES AND OPTIONS

France

Table showing French bond futures and options data.

Germany

Table showing German bond futures and options data.

UK Gilts Prices

Table showing UK gilt prices for various maturities and options.

BUND FUTURES OPTIONS (LIFE) DM250,000 points of 100%

Table showing Bund futures options data.

ITALY NATIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFE) Lira 200m 100ths of 100%

Table showing Italian BTP futures data.

SPANISH NATIONAL SPANISH GOVT. BOND (MPT) FUTURES (LIFE) Ptas 100m 100ths of 100%

Table showing Spanish MPT futures data.

UK NATIONAL UK GOVT. BOND (GILT) FUTURES (LIFE) £50,000 32nds of 100%

Table showing UK Gilt futures data.

LONG TERM GOVT. BOND FUTURES (LIFE) £50,000 64ths of 100%

Table showing long term government bond futures data.

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table showing US Treasury bond futures data.

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFE) ¥100m 100ths of 100%

Table showing notional long term Japanese government bond futures data.

Proactive real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show 90% basis for indexing to 100% and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor: 100 = 100 for August 1985; 149.9 for March 1996.

Other Fixed Interest

Table showing other fixed interest rates for various international bonds.

FT-ACTUARIES FIXED INTEREST INDICES

Table showing FT-Actuaries fixed interest indices for various maturities.

FT FIXED INTEREST INDICES

Table showing FT fixed interest indices for various maturities.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:30 pm on April 22.

Table showing FT/ISMA international bond service data for various countries and maturities.

FT/ISMA INTERNATIONAL BOND SERVICE

Table showing FT/ISMA international bond service data for various countries and maturities.

GILT EDGED ACTUARIAL INDICES

Table showing Gilt edged actuarial indices for various maturities.

FLOATING RATE NOTES

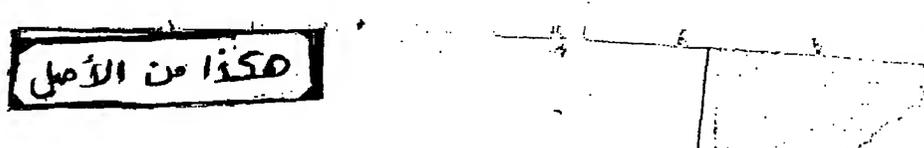
Table showing floating rate notes data for various issuers.

CONVERTIBLE BONDS

Table showing convertible bonds data for various issuers.

COMMENTS

Only one market maker supplied a price.



CURRENCIES AND MONEY

MARKETS REPORT

D-Mark on the ropes as election boosts lira

By Philip Gawth

The combination of dollar friendly comments from G-7 finance ministers meeting in Washington and the victory of the centre-left alliance in the Italian elections was sufficient yesterday to drive the D-Mark to fresh lows on the foreign exchanges.

The lira rallied to an 18 month high against the D-Mark, while the French franc and the Swedish krona reached respective 33 and 36 month highs against the beleaguered German currency.

The lira finished in London at L1.023, from L1.042 on Friday. The franc closed at FF3.383, from FF3.385, while the krona closed at SEK4.424, from SEK4.451.

The D-Mark also lost ground against the dollar, yen, Swiss franc and sterling. Against the dollar it finished at DM1.5194, from DM1.5087. Against the yen it slipped to ¥70.33, from ¥71.03.

The G-7's comments on exchange rates were in line with market expectations, and stopped short of telling the market to buy dollars, so their impact was limited.

Sterling lost ground against the dollar, closing at \$1.513, from \$1.517, but finished higher against the D-Mark at DM2.2816, from DM2.2851.

The lira's strong performance was, in the first instance, the product of an election result better than could have been expected. What really galvanised the rally, though, were comments

from Mr Romano Prodi, leader of the centre-left alliance, that Italy would "as soon as possible" start negotiations on joining the European exchange

rate mechanism.

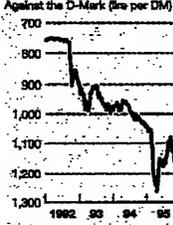
This provides support to the currency because the market knows that Italy's EU partners would only accept it rejoining the ERM if it did so with a currency which was not highly undervalued.

Mr Lorenzo Codogno, chief economist at the Bank of America in Milan, said that provided the lira could stay in the DM1.50/2 range, he believed the lira could rally to L1,000 against the D-Mark. "At that level the Italian government could ask to re-enter the ERM," he said.

Mr Codogno said "as soon as possible" could actually mean by the end of June. "It is not in the budget of the Bank of Italy to have the lira much stronger. They want to stabilise the value of the lira." He predicted that if the lira continued to rally, the central bank might start buying D-Marks to bolster

Lira

Against the D-Mark (per DM)



Source: Datastream

reserves, or cut interest rates to arrest the appreciation.

The main point to emerge from the G-7 deliberations on currencies is that there is more appetite for the dollar to strengthen against the D-Mark than against the yen.

Mr Stephen Lewis, of the London Bond Broking company, says there may be a problem with the G-7's stance. "Stabilisation of the yen/dollar rate will remove one of the major factors contributing, over the past year, to the dollar's recovery against the D-Mark, namely the market's perception that the dollar is generally undervalued."

"It seems unlikely," said Mr Lewis, "that the US Treasury would be prepared to intervene in forex markets to push the dollar up against the D-Mark while intervening in an appropriate direction to hold the US currency down against the yen."

The US had a much greater incentive to help Japan with its problems than it has with Europe.

Yesterday's D-Mark losses occurred despite cautious comments from Mr Hans Tietmeyer, the Bundesbank president, about the likely pace at which German interest rates would fall.

Figures from CCAST, the financial analysis consultancy, show that since June 1995, the D-Mark has lost around 15 per cent against the Swedish krona, 13 per cent against the lira and 9 per cent against the dollar (6 per cent this year, and around 3 per cent this month). Its only significant gains have been against the yen - 15 per cent.

Mr Lewis believes also that the US Treasury would be prepared to intervene in forex markets to push the dollar up against the D-Mark while intervening in an appropriate direction to hold the US currency down against the yen.

WORLD INTEREST RATES

MONEY RATES

Table of money rates for various currencies including Belgium, France, Germany, Italy, Netherlands, Switzerland, Japan, and US. Columns include currency, rate, and percentage change.

Table of LIBOR FT London interbank fixing rates for various currencies and terms (1 month, 3 months, 6 months, 1 year).

LIBOR interbank fixing rates are offered here for 100m to 1bn quoted to the nearest 0.01 p.p.m. based on 360 days per year. The basis is 30/360.

Mid rates are shown for the domestic Money Rates, US, UK, ECU & SDR Linked Deposits.

EURO CURRENCY INTEREST RATES

Table of Euro currency interest rates for various currencies (Belgian Franc, Danish Krone, Dutch Guilder, French Franc, Portuguese Esc, Spanish Peseta, Sterling, Swiss Franc, Can. Dollar, US Dollar, Indian Lira, Yen, Asian Ring) and terms (1 month, 3 months, 6 months, 1 year).

Short term rates are set for the US Dollar and Yen, others two year rates.

THREE MONTH EURO FUTURE (LIFFE) Paris Interbank offered rate (FF50m)

Table of three month Euro future rates for various months (Jun, Sep, Dec).

THREE MONTH EURO FUTURE (LIFFE) DM1m points of 100%

Table of three month Euro future rates for various months (Jun, Sep, Dec).

THREE MONTH EURO FUTURE (LIFFE) L1000m points of 100%

Table of three month Euro future rates for various months (Jun, Sep, Dec).

THREE MONTH EURO FUTURE (LIFFE) SF1m points of 100%

Table of three month Euro future rates for various months (Jun, Sep, Dec).

THREE MONTH EURO FUTURE (LIFFE) Y100m points of 100%

Table of three month Euro future rates for various months (Jun, Sep, Dec).

THREE MONTH EURO FUTURE (LIFFE) EUR1m points of 100%

Table of three month Euro future rates for various months (Jun, Sep, Dec).

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THREE MONTH EURO FUTURE (LIFFE) EUR1m points of 100%

POUND SPOT FORWARD AGAINST THE POUND

Table of pound spot and forward rates for various currencies including Australia, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, and Americas.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of dollar spot and forward rates for various currencies including Australia, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, and Americas.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table of exchange cross rates for various currencies including Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, US, Japan, and others.

EUROPEAN CURRENCY UNIT RATES

Table of European Currency Unit rates for various currencies including Spain, Netherlands, Belgium, Austria, Portugal, Germany, France, Denmark, Ireland, Italy, UK, and others.

D-MARK FUTURES (MM) DM 125,000 per DM

Table of D-Mark futures rates for various months (Jun, Sep, Dec).

JAPANESE YEN FUTURES (MM) Yen 12.5 per Yen 100

Table of Japanese Yen futures rates for various months (Jun, Sep, Dec).

SWISS FRANC FUTURES (MM) SF 125,000 per SF

Table of Swiss Franc futures rates for various months (Jun, Sep, Dec).

STERLING FUTURES (MM) £25,000 per £

Table of Sterling futures rates for various months (Jun, Sep, Dec).

MARGINED CURRENCY DEALING

Advertisement for Laurion, a margined currency dealing service, listing services like flexible managed accounts and limited liability guaranteed.

The Top Opportunities Section

For senior management positions. For information please contact: Robert Hunt +44 0171 873 4095

BASE LENDING RATES

Table of base lending rates for various banks and currencies including Adem & Company, Allied Trust Bank, AIB Bank, etc.

UK INTEREST RATES

Table of UK interest rates for various terms (1 month, 3 months, 6 months, 1 year) and currencies.

LONDON MONEY RATES

Table of London money rates for various currencies and terms.

Large advertisement for Liffe's Three Month ECU Future, describing it as 'The European hedge' and highlighting its benefits for hedging currency risk.

Advertisement for Liffe's Three Month ECU Designated Market Makers, listing participating firms like HSBC Futures, Istituto Bancario San Paolo di Torino S.p.A., and others.

LONDON SHARE SERVICE

IRV TRUSTS SPLIT CAPITAL - Cont.

Table listing various Irv Trusts split capital investments with columns for company name, price, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing Leisure & Hotels companies such as Holiday Inn, Premier Inn, and others.

OTHER FINANCIAL - Cont.

Table listing Other Financial companies including various investment and financial services firms.

PROPERTY - Cont.

Table listing Property companies such as British Land, Land Securities, and others.

SUPPORT SERVICES - Cont.

Table listing Support Services companies including business process outsourcing and IT services.

AIM - Cont.

Table listing companies on the Alternative Investment Market (AIM).

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their performance metrics.

INVESTMENT COMPANIES

Table listing investment companies and their share prices.

LEISURE & HOTELS

Table listing leisure and hotel companies.

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies such as BBC, ITV, and others.

OIL INTEGRATED

Table listing oil integrated companies.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies (continued).

PROPERTY

Table listing property companies.

OTHER FINANCIAL

Table listing other financial companies.

RETAILERS, FOOD

Table listing retailers and food companies.

RETAILERS, GENERAL

Table listing general retailers.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies.

AIM

Table listing AIM companies.

TELECOMMUNICATIONS

Table listing telecommunications companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

WATER

Table listing water companies.

AMERICANS

Table listing American companies.

CANADIANS

Table listing Canadian companies.

SOUTH AFRICANS

Table listing South African companies.

Advertisement for CMG (Creating shared success) with text: 'YOU'D BE MUCH BETTER OFF IF WE PAID YOUR STAFF. Your business is running a business. So the less precious time you spend worrying about your payroll the better. Hand the problem over, lock, stock and payroll to CMG.'

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT... This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £150 a year for each security chosen, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/report of any company... Reports will be sent the next working day, subject to availability.

FT Company Focus

Comprehensive 10-14 page report available on this company... Reports published by Sharefinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline Service... Call 0171 873 4378 for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Fidelity Currency Funds Ltd, Fidelity International Growth Fund, and others with columns for fund name, price, and change.

BERMUDA (REGULATED)**

Table listing regulated Bermuda funds including Bermuda Investment Fund, Bermuda Growth Fund, and others.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey funds including AIS Investment Managers, AIS Growth Fund, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

IRELAND (REGULATED)**

Table listing regulated Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

Royal Bk of Canada US Fd Mgrs Ltd - Contd.

Table listing Royal Bank of Canada US Fund Managers Ltd funds.

GUERNSEY (REGULATED)**

Table listing regulated Guernsey funds including AIS Investment Managers, AIS Growth Fund, and others.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey funds including AIS Investment Managers, AIS Growth Fund, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

IRELAND (REGULATED)**

Table listing regulated Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

LET Asset Management Ltd

Table listing LET Asset Management Ltd funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

IRELAND (REGULATED)**

Table listing regulated Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

IRELAND (REGULATED)**

Table listing regulated Ireland funds including AIS Fund Management, AIS Growth Fund, and others.

Dalton Europe Fund Mgrs Ireland Ltd - Contd.

Table listing Dalton Europe Fund Managers Ireland Ltd funds.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

Mercury Fund Managers Ltd

Table listing Mercury Fund Managers Ltd funds.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

WVESCO International Limited - Contd.

Table listing WVESCO International Limited funds.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

Fidelity Funds (SIB RECOGNISED)

Table listing Fidelity Funds (SIB Recognised) including Fidelity International Growth Fund, Fidelity Global Bond, and others.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

S-C-Bank Luxembourg SA - Contd.

Table listing S-C-Bank Luxembourg SA funds.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including AIS Investment Managers, AIS Growth Fund, and others.

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سكنا من الراجل

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Profit
share

Table of fund prices and performance data, including columns for fund name, price, and change.

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Table of offshore insurance products and prices.

MANAGED FUNDS NOTES
Prices are in pence unless otherwise stated and those...
FT Cityline Unit Trust Prices are available over the telephone...

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie dips but Mid 250 index hits another high

By Steve Thompson, UK Stock Market Editor

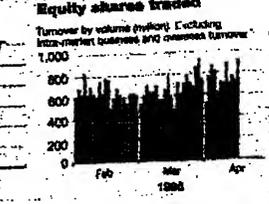
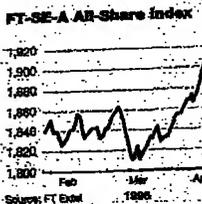
An element of anti-climax was plainly evident in the UK equity market yesterday, with the leaders tending to drift back in spite of another bid in the utilities sector.

talk, but today the institutions decided to sit back," was the view of one dealer. Others pointed to the absence yesterday of any of the frantic programme trading activity that was one of the features of last week. They said there had been a marked slowdown in the amount of new money being pumped into the market via unit trusts and investment trusts.

The FT-SE 100 closed 4.4 lower at 3,852.7 after the quietest day for some time. Turnover at the 6pm reading was 695.9m shares, well down from recent levels.

The utilities areas of the market remained alive with actual and rumoured takeover speculation. Southern Electricity received the expected renewed offer from National Power, itself in receipt of a bid proposal from Southern Company of the US Shares in the UK

in 2.8m traded, the second worst Footsie performance. RMC added 21 to 1037p. International conglomerate Hanson was well dealt both in the cash market and stock options pits. The shares hardened to 200p in 10m traded.



Indices and ratios table showing FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various ratios like P/E, Dividend Yield, etc.

Best performing sectors table listing sectors like Electricity, Water, Household Goods, and their respective percentage changes.

Power bid lifts sector

It was perhaps inevitable that Southern Electricity would record the day's best performance in the Footsie following the news that National Power had renewed its interest in the distributor with a £2.5bn agreed takeover bid.

the general euphoria in the sector and shares in the group hardened 4 to 198 1/2p. With Southern Electric now off the list of bid targets, investors' attention turned to London Electricity, sending the group's shares sharply forward by near to 5 per cent in very solid trading volume.

Most transport teams adjusted their estimates for the current year. UBS raised loss forecasts by 53m to 2850m. The shares retreated 4 1/2 to 63p. News that it had won the Midland Main Line rail franchise pushed bus operator National Express up 16 to 50 1/2p.

Among food retailers, Asda Group firmed 2 1/4 to 114 1/2p in 8.4m traded. Dealers suggested that the recent spate of buying had been encouraged by positive presentations from the company. There were vague rumours suggesting that Asda was looking to launch its own brand of over the counter medicines.

in 2.8m traded, the second worst Footsie performance. RMC added 21 to 1037p. International conglomerate Hanson was well dealt both in the cash market and stock options pits. The shares hardened to 200p in 10m traded.

Dealers had anticipated that the UK's biggest generator would adopt a "poison pill" defensive mechanism to ward off the attention of a hostile takeover bid from Southern Company, the US utility.

ABN Amro Hoare Govett set the tone, moving Reed International from buy to hold. Reed, Reuters, BSKYB and Carlton Communications all took a tumble as investors deemed it opportune to take profits.

News of a acquisition by London International Group was well received by the market. The stock gained 7 1/2 to 129p. LIG said it had bought US based medical glove and condom manufacturer Aladan Corp. UK analysts said they regarded the purchase as a "good fit" for LIG.

The exercise of options by directors pushed three retailers lower. Next shed 15 to 51 1/2p, Dixons 8 to 49 1/2p and Moll Bros 5 to 90 1/2p. One analyst said that after a strong run for all three over the past fortnight investors were following directors in locking in profits.

Among the leisure stocks one of the best performers was Euro Disney, up 11 to 205p, after positive interim results. Trading ticked over on the brewing sector with Scottish & Newcastle falling 8 1/2 to 657p, with profit taking after last week's rise in price.

Bid talk spread to other stocks in the sector and Scottish Power advanced 1 1/2 to 400 1/2p, while United Utilities was the third best performer in the Footsie after some 2m were dealt. The shares jumped 14 to 62 1/2p.

BSKYB, which hit a new peak on Friday, came off 7 to 46 1/2p, while Carlton ended as the Footsie backmarker. The shares retreated 1 1/2 to 45p, with the group's goodwill accounting under attack in the weekend press.

Renewed offers from National Power, itself in receipt of a bid proposal from Southern Company of the US Shares in the UK rec surged higher, taking prices of the remaining stock with them. Speculators were especially out in force in London Electricity, after last week's rumours of a bid from Houston Industries, of the US.

Outside of the utilities, Asda delivered the best performance among the Footsie stocks; the company has been giving a round of presentations to institutions. On the downside, Carlton Communications fell away after bearish reports in the weekend press, and Eurotunnel delivered preliminary figures every bit as bad as the pessimists had feared.

Customer turnover has been running at well above average levels recently, topping the £2bn mark for the last three days of last week. The consensus among traders was that London had put up a credible performance in the face of some determined profit-taking.

London even ignored a sharply higher opening performance by Wall Street, where the Dow Jones Industrial Average raced up more than 50 points in early trading before coming off and then making renewed rapid progress after London closed, when the Dow was showing a 33-point gain.

News of slightly higher than expected M4 money supply growth caused little damage to the market during early exchanges which saw the FT-SE 100 open around three points lower, in the wake of the disappointing performance by Wall Street on Friday.

After sliding almost 10 points in the first hour of trading, the Footsie began to claw its way back, eventually moving into positive ground shortly after Wall Street opened. But with the volume of business faltering, the market could not maintain its rally and the index fell back to close with a modest decline on balance.

The utilities areas of the market remained alive with actual and rumoured takeover speculation. Southern Electricity received the expected renewed offer from National Power, itself in receipt of a bid proposal from Southern Company of the US Shares in the UK

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NATIONAL COUNCIL FOR THE MODERNIZATION OF THE STATES Quito-Ecuador. SUMMONS FOR EXPRESSIONS OF INTEREST FOR THE PRIVATIZATION OF THE RAIL ROAD SECTOR IN ECUADOR. The Government of Ecuador has initiated the process of modernizing the Rail Road state-owned enterprise, under a reform program financed by the IDB.

CREDIT NATIONAL FRF 600,000,000 3.40% BONDS DUE 2003 with coupon reinvestment option. Common Code: 3651355. According to the terms and conditions of the Bonds, notice is hereby given that 577 supplementary Bonds have been created upon exchange against Coupons on account of payment of interest.

DEPARTEMENT DE LA GUADELOUPE FRF 56,000,000 TAUX VARIABLE ECHANGE 2000 ISM CODE: X300036/636309. For the period April 19, 1996 to October 21, 1996 the new rate has been fixed at 5.1679% p.a.

VOLKSWAGEN AG Wolfsburg. Publication in accordance with § 41 Sec. 3 and 4 WpHG (German securities trading act). Hannoverische Beteiligungsgesellschaft mbH, Hanover, has informed us that as at 1 January 1995 it was in possession of 19.9259% of the voting rights in our Company.

The Financial Times plans to publish a Survey on Wednesday, May 22. This survey will be an overview of Jersey, providing a comprehensive analysis of the economic and political situation, together with in-depth comment on key areas such as manufacturing, off-shore business and tourism.

Wolfsburg, April 12, 1996. The Board of Management. Hannoverische Beteiligungsgesellschaft mbH, Hanover, has informed us that as at 1 January 1995 it was in possession of 19.9259% of the voting rights in our Company.

FT Surveys. Patricia O'Leary. Tel: 0171 673 3472 Fax: 0171 673 3204. The Financial Times plans to publish a Survey on Wednesday, May 22. This survey will be an overview of Jersey, providing a comprehensive analysis of the economic and political situation.

FT-SE All-Share Index. Equity shares traded. Turnover by volume (million). Excluding inter-market business and overseas turnover. Indices and ratios. Best performing sectors. FT Ordinary Index 2880.1 -5.1. FT-SE All-Share 3852.7 -4.4.

FUTURES AND OPTIONS. FT-SE 100 INDEX FUTURES (LIFFE) C25 per full index point. FT-SE MID 250 INDEX FUTURES (LIFFE) E10 per full index point. FT-SE 100 INDEX OPTION (LIFFE) C250 per full index point.

TRADING VOLUME. Major Stocks Yesterday. Volume, Change, % Change. BHP Billiton 1,100 114.0 10.4. Anglo American 1,000 114.0 11.4.

FT GOLD MINES INDEX. Gold Mines Index 2242.12 -1.4. 2242.05 2241.58 1.42. 2242.73 2242.28.

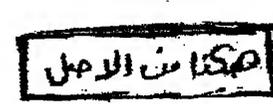
FT-SE Actuaries Share Indices. The UK Series. FT-SE 100 3852.7 -0.1. FT-SE Mid 250 4544.1 -0.6. FT-SE All-Share 3852.7 -0.1.

Hourly movements. FT-SE 100 3852.7 3853.0 3853.5 3854.0 3854.5 3855.0 3855.5 3856.0 3856.5 3857.0 3857.5 3858.0 3858.5 3859.0 3859.5 3900.0.

FT-SE Actuaries 350 Industry baskets. FT-SE 100 3852.7 3853.0 3853.5 3854.0 3854.5 3855.0 3855.5 3856.0 3856.5 3857.0 3857.5 3858.0 3858.5 3859.0 3859.5 3900.0.

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WORLD STOCK MARKETS

Table of stock market data for various regions including Europe, Asia, and Africa. Columns include stock names, prices, and changes.

Main table of stock market data for various regions including Europe, Asia, and Africa. Columns include stock names, prices, and changes.

Rockwell supplies virtually every European car manufacturer with automotive components and systems. Rockwell logo.

Table of stock market data for various regions including Europe, Asia, and Africa. Columns include stock names, prices, and changes.

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Handwritten text in Arabic script: 'سكنا من الاموال'

your rain

New issues and investment stay West

4 pm close April 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Table of stock prices for various companies, including columns for stock name, price, and change. Includes a 'Race to Market' advertisement for Hewlett-Packard at the bottom.

Table of stock prices for various companies, including columns for stock name, price, and change.

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Continued on next page

Handwritten note: 150 من الاموال

NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

Table of NYSE Composite Prices, listing various stocks with columns for stock name, price, and change.

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Table of NASDAQ National Market prices, listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

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AMERICA

Dow climbs on Olive Tree election victory drives Milan up 4% merger and earnings news

Wall Street

Merger activity, a spate of healthy earnings reports and stronger bond prices combined to help US shares advance in midsession trading...

Those losses brought the Dow off its high for the session, but at 1 pm it was still 31.07 stronger at 5,566.55. The Standard & Poor's 500 rose 4.23 to 649.30...

Lima rises by 3%

Lima jumped more than 3 per cent in early trade on a wave of buying by local and foreign investors...

EUROPE

Italy

The unexpected margin of victory of the centre-left Olive Tree coalition in Sunday's general election provided the market with its preferred outcome...



FTSE-100 Europe ex UK index

The Comit index rose 25.87 to 645.81 and the real-time Mibtel index jumped 490 to 10,422. Turnover was around L1,650bn as strong demand was reported from London and the US.

ASIA PACIFIC

Nikkei breaches 22,000 level to end at four-year high

Tokyo

Purchases by pension funds, and the expectation of demand from investment trusts later in the week, boosted investor confidence...

of Tokyo Mitsubishi gained Y80 at Y2,400 and Fuji Bank Y80 at Y2,340. Yasuda Trust and Banking closed Y6 up at Y678...

Large-capital steel and shipbuilders rose. Hamamichi Metal Industries, the day's most active issue, added Y7 at Y339 and Mitsubishi Heavy Industries Y11 at Y941.

Roundup

Reports that foreign funds may issue warrants on steel and China-concept shares, stocks that reflect companies which have investments or investment plans in China, propelled TAIFEX sharply higher.

FT-SE Actuaries Share Indices

Table with columns: Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows for FT-SE 100, FT-SE 200, FT-SE 300.

THE EUROPEAN SERIES

Table with columns: Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows for FT-SE 100, FT-SE 200, FT-SE 300.

Philips, which said it planned to list ADBs for its Taiwan semiconductor division on Wall Street, ended 10 cents lower at Ft 61.30.

Continental hardened 34 ppts to DM27.29 after announcing that it was increasing its 1995 dividend.

Amsterdam broke into fresh territory and the AEX index put on 5.67 at 552.33.

Amsterdam broke into fresh territory and the AEX index put on 5.67 at 552.33. Swiss Re rose Sfr31 to Sfr1,334 as investors bought the stock ahead of Thursday's news conference.

for marketing in the US.

STOCKHOLM advanced to a record high as bond yields fell, the local currency strengthened and Astra recovered after recent losses. The Astra-Variden index rose 26.4 to 1,949.5.

Volume was high, with 57.2m shares changing hands. Telecommunications issues were sharply higher on the prospect of expanding business opportunities from government projects...

The weighted index made 125.33 or 2.1 per cent to 6,062.85, off a 6,058.00 high. Turnover was T\$97.7m.

South Africa at new peak

The overall index moved to a record close in brisk trading on blue-chip buying as a steady ram triggered renewed confidence. Dealers said domestic institutions dominated trade, while foreigners put good orders into the market after a cautious start.

Analysts said the Hang Seng's successful test of support at 10,800 last Friday set the stage for the rebound. They added that some positive comments from US officials on the renewal of China's Most Favored Nation status in the US had improved local sentiment.

Construction shares were in demand on news that Dong Ah Construction had secured \$10m worth of pipeline orders from Libya. Dong Ah firm had moved up 198.37 to 2,454.42 in volume of 98.9m shares.

OSLO finished at an all-time, with the Total index finally 7.57 stronger at 613.54. Half-hold Nycomed A shares moved forward Nkr6.59 to Nkr105.55 as the company reported that its third generation X-ray contrast agent had been approved.

Investors see lower 1996 bank earnings after Thai Farmers Bank, the second largest Thai bank, said its unaudited first-quarter net profits rose 11.9 per cent. Dealers said investors were worried that earnings by Bangkok Bank and Siam Commercial Bank would also fall below expectations.

MARKETS IN PERSPECTIVE

Table showing market performance in various currencies (Austrian, Hong Kong, Japanese, etc.) with columns for 1 Week, 4 Weeks, 1 Year, Start of 1995, Start of 1996, Start of 1997.

FT/S&P ACTUARIES WORLD INDICES

Table showing FT/S&P Actuaries World Indices with columns for US Dollar Index, FT-SE 100, FT-SE 200, FT-SE 300, and various regional indices.

Advertisement for WestMerchant International Investment Banking, featuring a large graphic and contact information for various global offices.

سكوا من الأصل